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CHAPTER - THREE

STATUTORY PROVISIONS AND GENERAL EVALUATION

3.1 EVALUATION OF INDIRECT TAXES :

INTRODUCTION :

Indirect taxes comprise mainly taxes on commodities and transactions. Before the introduction of madvat in 1987, the indirect taxes levied by the Centre. Customs, Union Excise and the Central Sales Tax - taken by themselves, or the Central indirect taxes and the taxes levied by the states and the local authorities taxes on intra-State Sales, the passengers and goods tax, the electricity duty and the octroy taken together and not constitute an integrated and "rational" system, but represented a juxtaposition of various levies that acted and reacted on the one another mostly unhindered by Governmental intervention. They were all cascading type taxes, except for the limited operation of rule 56-A of the Central Excise Rules, 1944, which provided for set-off, and the concessional treatment or exemption granted to inputs in the sales tax laws of some states. The taxes were levied at multifarious and widely differing rates. It was a trualy irrational system from the economic as well as equity point of view, and the misallocation of resources and the loss of

welfare caused by the high and disparete import duties and the multi rated cascading type excises and sales taxes was palpable. While the unduly large number of rates textile products alone had 125 excise duty rates in 1975 resulted in classification disputes, the high rates spawned evasion abetted by corruption. It is in this context that the Indirect Taxation Enquiry committee (Jha Committee) was appointed by the Government of India in 1976. The two major recommendation of that committee were that the Union excise duties should be converted in a phased manner into a value added tax at the manufacturing stage and that the state should be persuaded to levy only on retail sales taxes. The committee also put forward important suggestions for reform of the import tariff.

The introduction of the modvat in 1987 represented a major step in the reform of the Central indirect tax system. Under the madvat, taxes paid on inputs that get incorporated in output or get consumed in the process of production quality for set off.

The modvat has been extended to cover all taxable products other than petroleum products, tobacco products and textiles. To the extent the modvat operates, the Union excise does not cause any cascading and does not cause distortions in the producers choice if inputs. The exporters are greatly benefited because all inputs are relieved of

excise and/ or countervailing excise on import. However, what had been accomplished represented only the first stage of reform, after that the reform process seemed to have stopped in its tracks. In fact there has been some backtracking in so far as rates have been multiplied and there has been a shift back to specific duties.

While a major step was taken in reforming the union excise, there has been no real progress in restructing or reducing the level of import duties. In fact, in pursuit of the revenue objective, the duty rates have been considerably raised in recent years, contrary to what had been envisaged in the long Term Fiscal Policy Document. As of date, the Indian import duty structure presents a bewildering picture of combination of "basic" and "auxiliary" duties with the combined rates on different goods varying widely and often consisting of double application of advalorem and specific duties. The duty rates range from over 400 percent advalorem to zero percent with the bulk of the import falling in the duty rate range of 50% to 150%. The average effective rate is around 85% excluding zero rated items (around 50% if they are included). The most glaring aspect of the tariff is the imposition of high duties on metals (60%) chemicals (150%) and machinery (80%). In general the statute gives only the maximum rates. The actual rates applied to different products and varieties of

a product are fixed through numerious executive notifications. The notifications altering duty rates or granting exemptions (for a particular class or classes or users sometimes) are issued so frequently that it is impossible to keep track of them without the expenditure of much effort. However recently certain improvements were made in the import duty regime. These include reducing the multimplicity in auxiliary duty rates, reduction of duty on drug intermediates and components of machinery, rationalisation of duty structure for electronic industry with raw materials, piece parts, components and finished goods in the ascending order and lower duty (25%) on machinerys connected with experts.

As things stand today, excises are also being levied at a many rates. The existance of specific duty rates on a large number of commodities not only leads to revenue inelasticity with respect to nominal income, but implies often differentiation in advalorem rates even where it is not justified or needed, and unitended changes in the relative burdens in advalorem burdens on different commodities when prices change. This happens because the numerious specific duties cannot be fine tuned constantly, as price change to restore the original burdens. This means that the pattern of final incidence on consumers changes solely due to price changes. This violates the rule that the tax system should not bring about unintended change in relative prices.

The petroleum, tobacco and the textile sectors remains outside the modvat system, while petroleum products represent a special case and tobacco products do not enter the productive process with different stages of manufacturing in any significant way, the whole textile sector cannot justifiably be kept out of the modvat scheme. Their exclusion represents a significant distortion which must be remedied.

Under the modvat scheme, as notad earlier, only taxes levied on inputs that go into production or get used up in the process are eligible for set-off. This means that excise taxes that fall on machinery, accessories, fittings, tools, office equipment and vehicles continue to cause cascading. There is no economic, technical or a administrative justification for keeping these goods used in production out of the modvat credit system except the argument that in a developing country capital goods should be subject to tax in order to discourage the use of capital. On the other hand, in many countries, capital goods have been treated like other inputs precisely to concentrate the tax on consumption and to encourage saving. Also, it is wrong to classify all non-incorporated "inputs" along with machinery proper as capital goods. An exhaust Fan in a factory is a essential as the raw material used. If the cascading and other effects caused by the tax on the exhaust

fan is to be ignored or to be tolerated, then why should one bother about the effects of the tax on the raw material?. In the ultimate analysis, taxes on all inputs, tools, accessories and machinery used in the process of production would have to be made eligible for set off, one could perhaps make out a case for excluding the inputs in the construction of the building, office furniture and fittings (but not office equipment) and air conditioners and refrigerators (other than those essential for the production and or preservation of the concerned product).

The special treatment accorded to the small and tiny sectors under the excise tax system represents another distortion and is the source of much trouble. It is widely agreed that the concessional tax treatment extended to the small scale sector has been a source of substantial tax evasion. Apart from that, exemptions and concessions create problems in the proper and smooth functioning of the VAT regims. From the other side, the members of the small sector, at least the honest ones, can ligitimately complain of harassment by the excise department. One has to devise ways of reducing evasion, removing distortions and at the same time safeguarding the interests of the small scale producers.

The application of many rates has led to several and continuing classification disputes. Under the present

system of enforcement of excise, before any product can leave the factory premises to be sold, an approval of price quoted and the classification list has to be obtained from the concerned excise officer. Both price and classification can become, and often do become, subjects of dispute. Much time, effort and money is expended by the department and assesses in the disputes regarding classification. Most of these disputes could be avoided if the attempt at fine tuning through multi level differentiation is given up.

Central sales tax, the consequential adverse effects on costs and pattern and location of production were not given any weight. The Central sales tax on inputs not being eligible for set off has cascading effects and also alters the relative prices of factors. It is a barrier to Trade, it works against dispersal of industries and tends also to encourage verticle integration. In short, it violates one of the basic principles of a sound indirect tax system which we have expounded earlier viz., the indirect tax system should be such as to help preserve the characteristics of a common market.

It is also clear that the inter-state sales tax is biased in favour of a few states who are generally more advanced and are net exporters to other states. In 1988-89 the share of only states, viz. Maharashtra, Gujarat, Tamilnadu and West Bengal, in Central Sales Tax collections

by all the states of this tax: where as the share of these four states in states Sales Tax collections was only 44%, parts of this 44%, represents taxes on inputs which are also exported to the consuming states to the extent that a given state is a net exporter of Manufactured products. This is so unless the state concerned grants full set-off for the local sales tax paid on inputs. But Maharashtra, for Example - grants set-off taxes paid on inputs, only if the output sold within the state, this means that taxes on inputs going into that part of output which goes to the other States falls on the residents of those States Maharashtra's share in Central Sales Tax collections or all the states is as high as 21%, whereas its share in state sales tax collections is 9.07%.

When the rate of Central Sales Tax was raised gradually, it becomes profitable for manufacturers to establish stock depots and warehouses in centres in various states to whom they could consign their products; the sales to wholesalers or users were then effected in the consuming states on which the local sales tax was paid. Some of the major producers of raw material such as petroleum products and steel would have any how done this even in the absence of a tax on inter-state sales because of the inconvenience of directly dealing with a large numbers of buyers from a central point. However, there is no doubt that the Central

sales tax at 4% gave a fillip to consignment transfers,. Apart from this, tax evaders camouflaged sales as consigment transfers and escape taxation.

There were, in fact, three types of consignment transfers

(a) Genuine transfers by manufacturers to their warehouses, - Stockyards and local officers.

(b) Consignment of components and parts from one plant in a State to another plant outside that state both belonging to the same firm. e.g., engines being sent to the plant where aircraft frames are being manufactured, and

(c) Sales comouflaged as consignment transfers.

With a sizeable volume of consignment transfers taking place, the states complained of a huge loss of revenue due to avoidance and evasion of central sales tax. The loss of revenue was more for the more advanced, industrialised states than for the backward states. Besides, the first two categories of transfers mentioned above minimised or reduced the taxation by the producing states of the residents of other states, lead to lower costs of productions in the economy through lesser cascading, and provided more "headroom" for taxation or the concerned products by the consuming states.

AS often in sales tax matters, however, the ecomomic aspects were ignored. The states demanded that the "loophole" or consignment transfers should be closed. in response to this demand and on the suggestion of the law commission, through the constitution (46th Amendment) Act, 1982, the Central Government was empowered to levy a tax on consignments in the course of inter-state trade.

If a tax on consignments in the course of inter-state trade is introduced, enterprises might be deterred from opening stockyards and also evasion of inter states sales tax through the camouflaging of sales will be cut down. This will increase the total of inter-state sales tax collections. However, clearly the net exporting states will gain at the expense of the net importing states. And if the total sales tax burden is to be taken to remain constant, then the importing states will have to reduce the level of rates of their taxes falling on goods which would now come bearing the burden of inter-state sales or consignment tax. Hence, the total of sales tax potential would not increase.

Consignment transfers of categories (a) and (b) mentioned above have helped minimise the harmful effects of inter-state sales taxations at 4%. Once these routes are closed, the barrier to inter-state trade implicit in the inter-state sales tax at 4% will become fully effective. At the same time, the cascading and distorting effects will be

increased. On the otherhand, if there is an inter-state sales tax with a significant burden and no consignment tax, there will be avoidence of the former. In attempting to reform inter-state sales taxation, all these considerations have to be kept in view.

TAX ADMINISTRATION :

The state or tax administration in respect of both direct and indirect taxes leaves much to be desired. As regards direct taxes, the methods or administration have not undergone changes and improvement which have become possible with the development of new information technology. As already indicated, record keeping is in a bad shape and new methods of detecting evasion are not being developed. Unscrupulous taxpayers who indulge in large scale tax evasions can continue to do so with impunity either because there is little chance of detections or because they have made suitable arrangements with the tax officers. We must also point out that the facilities provided to the Income Tax department are woefully inadequate in most cases.

It must be recognised that no improvement in the tax system is possible unless the state of tax administration is considerably Imporved and tax officers can be made to fear that punishment will fall on them sooner or later if they break rules or accept illegal gratificatous;

it is equally important that tax payers must be made to feel that the chances of detection of tax evasion and punishment have increased significantly. This is not possible without an improvement in administration.

Lowering of tax rates in the case of all the three major taxes-customs, excises and income taxes- will be conducive to greater voluantary compliance and will automatically lower the level of harassment and corruptions. Nevertheless, conscious efforts have to be made to improve administration and devise methods of reducing collusion between tax officials and tax-payers, while we wish to bring a large number of small potential tax payers within the tax net, it is necessary to ensure that they would not be subjected to harassment. The information which we have gathered leads us to believe that such harassment is common in respect of excises and income tax. It is necessary to pay special attention to this problems if we wish to bring in the small scale sector effectively within excise tax system. In the case of the Income tax, the smaller tax payers do not have to get into contact with the Tax Department. So much because of the adoptions of self-assessment procedure. Even then it would be desirable to devise simpler methods of collecting income tax from the smaller businesses.

3.2 CENTRAL EXCISE AND SALT ACT, 1944: OBJECTIVES & REASONS

INTRODUCTION :

The Central Excise and Salt Act, 1944 which received the assent of Governor General initially on 24th February, 1944 was introduced to consolidate and amend the law relating to Central Duties of Excise on goods manufactured or produced in certain parts of India. The act extends to the whole of India and the objects and reasons for which the law is passed are as under :

Objectives And Reasons of the Act :

The objectives and Reasons relating to Central Excise and Salt Act, have been published in Gazeette of India 1944, Part V page 243. The extracts from the select committee report have also been published in the same part at page 13. The text of the statement can be found in A.I.R. manual, 4th edition, Volume 2 at pp 744, 745. As they are mainly of academic interest, they have not been reproduced in full. Following are some of the reasons and objectives.

(1) The administration of internal commodites taxation in British India has grown up piecemeal over many years and has been considerably expanded during the last decade. Hitherto, the introduction of a new central duty of Excise

has required the enactment of self contained law and the preparation of a seperate set of statutory rules, There were no less than 10 seperate Excise Acts (the excise on kerosene being covered by a part of the Indian Finance Act, 1922) and 11 sets of statutory rules; and there were also 5 Acts relating to salt, the duty on which is, by a wide margin, the oldest of our taxes on indigeneous commodities. The taxes being closely akin to one another, the methods of collection follow the same general pattern and many of the provisions of the various acts are identical or closely similar; and this is the case also with many of the statutory rules. The agglomeration of statutes and regulations dealing with similar matters is neither convenient for the public not conducive to well organised administration. Under this dis-junctive arrangement, we have not, and can not readily construct, a comprehensive code of standing instructions for the governance of the excise staff and each set of statutory rules is burdened with departmental instructions in which public has no concern or interest and which even taken together, do not form an adequate administrative code.

(2) It is accordingly, proposed to consolidate in a single enactment, all the laws relating to central duties of excise and to tax on salt and to embody there in a schedule, similar to that in the Indian Tariff Act, 1934, setting

forth the rates of duty leviable on each class of goods. At the same time the statutory rules will be similarly amalgamated and this disembarassed of their unnecessary detail. The act and the consolidated statutory rules, together with as many manuals of departmental instructions as may be necessary, will then form a complete central Excise code, which will simplify the administration of this branch of the revenue system and aid such further development as may be necessary; and any proposal for a new excise, which may here after the laid before the ligislature may then take the simpler and more convenient form of a clause in the Annual Finance Bill.

(3) The intention of the bill is to reproduce provisions already existing in the acts which, it is proposed to repeat but in the process, certain small amendments have been made whether in modernising the language or for dovetailing the provisions and otherwise adapting them to present circumstances. These amendements are the minimum consistent with such blending and adaption.

(4) The combination of a No. of seperate measures, each of which has been moulded to fit its particular subject, necessarily includes these special features as well as those which are common to others in there group and it follows that certain goods, will after consolidation, become

applicable over the whole field, either as a matter of course or by notification as circumstances may require. In particular the Bill provides that certain features of the salt law relating to transport by small coastal craft will become adaptable, as necessary in the administration of other excise duties.

(5) No interference of any kind is made in any of the existing duties. These have been merely collected from the various Acts and reproduced in the scehdule; and the item relating to salt has been so worded as to preserve, to the Central legislature, the right which it has so long exercised, of voting annually on the rate of duty to be fixed.

3.3 BIRDSEYE VIEW OF CENTRAL EXCISE LAW AND PROCEDURE/ STATUTORY PROVISIONS RELATING TO EXCISE LAW AND PROCEDURE :

INTRODUCTION :

The Government of India framing various statutory Law and Procedure in the Central Excise Act - to collect revenue from excise duty. The following statutory Law and Procedure relating to excise duty has been made.

(1) After the introduction of new Central Excise

Tariff based on HSN. Now the excise duty is levied almost on all types of articles produced or manufactured in India.

(2) As per section 3 of the Central Excise and Salt Act, 1944 the duty of excise is leviable on the goods specified in the Schedule to the Central Excise Tariff Act, 1985 at the rates set forth therein.

(3) Section 5A of the Central Excise and Salt Act empowers the Central Government to grant exemption from duty by issue of notifications or special orders.

(4) The duty of excise, though is leviable, on the manufactures of goods but is payable only at the time of clearance of goods, (Rule 9).

(5) Duty of Excise is payable on the basis of the normal selling price determined under Section 4 of the Central Excises and Salt Act, 1944.

(6) Since the duty of excise is leviable on the manufacture of goods, where no manufacture is involved or the article in question is not goods excise duty is not leviable.

(7) Every manufacture of excisable goods is required to get himself registered before commencing production. There is no fee for registration and Unit is to be registered once only i.e., there is no requirement of

renewing the registration. The registration is also required for wholesale purchase or sale (whether on his own account or as a broker or commission agent) for the storage of any Specified goods but so far no goods have been specified in this regard. The registration is only valid for the premises it is granted. Thus the manufacture having more than one premises is required to obtain a separate registration for each manufacturing premises. If a manufacturer desires to start production of a new product he should get his Registration Certificate duly endorsed to this effect. The Registration Certificate is to be granted within 30 days of the receipt of an application and if the same is not granted within the said period, it shall be deemed to have been granted. The Units manufacturing fully exempted goods are not required to get themselves registered. However, certain categories of Units exempted from registration under Notification No. 13/92-C.E.(N.T.). are required to file a declaration. The Units exempted from payment of duty on the basis of annual value of clearances have also been exempted from the requirement of registration so long as their value of clearances for the current financial year does not exceed Rs. 20 lakhs provided that their value of clearances in the preceding financial year also did not exceed Rs. 20 lakhs. The application form for registration and proforma of Registration Certificate are given in Annexures 143 and 144

respectively in Part V of this Mannual. (see Section 6 read with Rules 174 and Notifications issued thereunder).

(8) The following types of procedures have been prescribed for the levy and collection of Central Excise duties keeping in view the needs of different industrial sectors :

(I) Physical Control:

(ii) Records Based Control (RBC) (S.R.P.):

(iii) Production Based Control (PBC) (S.R.P.); and

(iv) Compounded and Levy scheme.

(9) Physical Control is applicable to unmanufactured product (Coffee) and some manufactured products, Viz. Khandsari Sugar, Matches, Biris, Snuff, Chewing tobacco, Cigarettes, tyres and tubes, man-made fibres and yarn, pottassium chlorate vegetable product and gas compressors. Assessemnt is done by a Central Excise Officer and the goods are removed under the supervision of a Central Excise Officer under cover of a transport permit (T.P.) issued by him. In some cases, the licensee is allowed to issue a transport certificate. There is no control on duty-paid coffee subsequent to its first removal on payment of duty. (Chapter V of Excise Rules)

(10) Under the Records Based Control and the Production

Based Control which are also known as Self Removal Procedures, a manufacturer has to get the rate of duty approved by the Department. If the rate of duty is based on value of the goods (advalorem rate), he has also to get the assessable value of the goods approved. Thereafter, he can assess the goods to duty and remove them after payment of duty without interference by the Central Excise Officers. For the purpose of payment of duty, the assessee maintains an account current in which he makes credits from time to time and debits the duty determined at the time of removal of a consignment. He is required to submit a monthly return giving information about production and clearance documents, giving information about production and clearance and the stock of excisable goods along with the clearance documents, extracts of account current, etc. (Chapter VII-A of Excise Rules)

(11) Records Based Control applies to 20 commodities notified in Notification No. 24/86-C.E., dated 10-2-1986. Under this system, the assessee's books of accounts, invoices, despatch advices etc. are accepted and more reliance is placed on him. (Chapter VII-A of Excise Rules)

(12) Under the Production Based Control, checks are exercised by the Central Excise Officers at various stages of production to ensure full accountal of the goods produced by a manufacturer. The receipt of duty-paid goods into the

factory is also subject to check. However, assessment and removal of goods is left to the assessee as under the Records Based Control.

(13) Production Based Control applies to those excisable goods, which are not covered by records Based Control or Compounded Levy Scheme or Physical Control.

(14) The Compounded Levy Scheme is meant for the Small Scale decentralised sector and at present covers embroidery and marble slabs. Duty for a specified period is fixed on the basis of the number and the type of machines. Payment of duty under the compounded Levy Scheme absolves the manufacturer from observing day-to-day excise formalities regarding maintenance of accounts and removal of goods, etc. (Chapter V of Excise Rules).

(15) The goods produced in free trade Zones or 100% export-oriented units are totally exempted from payment of duty subject to following of the procedure prescribed under the rules. But when their goods are diverted for home consumption, they are liable to duty which is generally equal to 50% of import duty on like goods.

(16) The excisable goods can be removed under the cover of gate-passes as prescribed under Rule 52A of the Central Excise Rules.

(17) Where the duty-paid raw materials are used in the manufacture of excisable goods, the following procedures are prescribed for remission/credit of duty paid on the raw materials so as to check the cascading effect on the final product :

(i) Modvat Credit; (Rules 57A)

(ii) Proforma Credit (Rules 56A)

(iii) Money Credit; (Rules 57K)

(iv) Chapter X Procedure of Excise Rules; (Rule (192) and

(v) Set-off of duty under exemption notifications.

(18) The assessee is required to maintain daily production record (RG 1), personal ledger account and other prescribed records. Where the credit scheme are availed, assessee is also required to maintain RG (23 A). A monthly return in the Form RT 12 is also required to be submitted and whereever prescribed, a quarterly return in Form RT 5 for the raw materials account is also required to be submitted besides other specified returns.

(19) Disputes between the assessees and the Department regarding valuation, rate of duty etc., are decided by the Assistant Collector of Central Excise. (Rules 173 B and 173 C).

(20) Duty short paid or not paid can be recovered within six months from the date of filing of monthly

return. But in cases of fraud, collusion or suppression of facts etc., the time-limit is five years (Section 11A). Similarly, refund of duty can be claimed within six months (Section 11 B.). However there is no time limit when duty has been paid under "protest".

The concept of refund in the matter of excise (as well as customs) duties underwent a major change in the form of the Central Excise and Customs Laws (Amendment) Act, 1991, which came into force with effect from 20-9-1991. As per the amended law, no refund is admissible to manufacturers if they have already passed on the duty incidence to buyer and instead the refund is payable only to the person who has ultimately borne the tax incidence. In the case of refund to buyer, the statutory limitation of six months will run from the date of purchase of goods by him. Burden of proof to show that the tax has not been passed on by him to the buyer is no the claimant of refund. At the time of clearance of goods, the assessee is required to indicate in all assessment documents, sales invoices etc., the duty component of his sale price. All amounts collected from the buyer by way of duty in any manner have to be credited to Government forthwith. Duties not refundable to assessees or buyers are required to be credited to a consumer welfare fund which will be utilised by the Central Government for welfare of consumers. These provisions have

been given overriding effect notwithstanding any judgement, decree, order or direction of the tribunal or any court or in any other provision of the Central Excise Act or the Rules or any other law. Refund of (i) export rebate, (ii) unspent advance deposits lying in account current and (iii) input credit will, however, continue to be made to manufacturers. Applications for refund are required to be made to the Assistant Collector in duplicate in prescribed Form 'R' within the prescribed time limit of six months. The application has to declare, inter-alia and substantiate with documents, that duty claimed as refund has not been charged/realised from any other person. There have already been two judicial pronouncements of the new law. Calcutta High Court has held 1992 (57) E.L.T. 527 (Cal.) that the new provisions can only apply to applications which have been made before 20-9-1991., and not dealt with or disposed of by that date they do not have the effect of nullifying a refund order already passed before 20-9-1991. The other judgement (1992 (57)) E.L.T. 201 (BOM.)) is by Bombay High Court and relates to customs. It says that the new provisions do not apply where imported goods are consumed by imported or used by him in manufacture of other products.

(21) The Central Excise Officers are empowered to visit and inspect any premises and effect a search and seizure in

cases where there is a reason to believe that the goods in question are of contraband nature and thus are liable to confiscation. The Excise Officers also have the powers to investigate and interrogate a person and arrest him. (Section 13, 14, 18, 19 and 21 read with Rules 200 & 201).

(22) The contraventions of the provisions of Central Excise Act and Rules are punishable by way of imposition of penalty and confiscation of goods in departmental proceedings and prosecution and forfeiture of goods in a Court of Law, Rules 173 Q and 209 read with other rules provide for imposition of penalty and confiscation of goods. By and large, existence of mens rea is not required for imposition of penalty or confiscation of goods except in cases where the rule itself provides for existence of mens rea as a pre-condition. Thus, contravention can be adjudicated upon a departmental proceedings by different officers depending upon the amount of excise duty involved in a case (Section 33 of the Act). Section 9 of the Central Excises and Salt Act provides for prosecution. Generally, prosecution is launched in case of huge evasions or habitual offenders where mens rea is present.

(23) If a person is aggrieved with the decision of the Central Excise authorities, he can file an appeal to the Collector (Appeals), Central Excise, where the decision is of an officer lower in rank than the Collector, Where the

order is passed by a collector, the appeal lies directly to the Appellate Tribunal (CEGAT). From 14-5-1992 appeals against the orders passed by Additional Collector would lie to the Collector of Central Excise (Appeals) because of the amendment to the defination of "Collector" as given in Rule 2 of the Central Excise Rules, 1944. A second appeal lies to the Appellate Tribunal against the orders passed by the Collector (Appeals). A final appeal lies to the supreme Court against the orders passed by the Collector (Appeals). A final appeal lies to the supreme court against the Tribunal's order when it relates to rate of duty or value of goods and in all other cases, instead of appeal to the supreme Court, a reference on questions of law lies to the high Court against the Tribunal's order. In the case of loss of goods, rebate on excisable goods exported out of India and export or goods under bond, instead of an appeal, there is a right of filing a Revision Application to the Government of India. (Sections 35 to 35 L).

(24) The right of appeal in Central Excise is now subject to condition of prior deposit of duty demanded and penalty imposed but the Appeallate Authority has been conferred with the power to dispense with the condition in case of undue hardship. (Section 35 F).

From the above, it has been clear that various statutory law made for collecting more revenue from

excise-duty. But these law and procedure are not followed by the large number of manufacturers which has been badly effected on the consumers of our country.

3.4 EVALUATION OF EXCISE DUTIES :

I) UNION EXCISE DUTIES :

Excise duties, as we observed, have been a growing source of revenue to the Union Government of India. The fact that the Government of India has been relying so much on excise taxation has been strongly criticised by the people. Increase of excise taxation causes economic inequalities of increase and is therefore, defective from the welfare point of view. In a good tax system, excise taxation should increase in a relatively smaller degree. This has not been so in India. But in a poor country, indirect taxes, particularly excise duties, are bound to play an important role and increasing trend in the case structure. when incomes are low, it is difficult and expensive to impose and collect direct-taxes on a larger number of small incomes. Indirect-taxes are easier to collect and, therefore, can be a lucrative source of revenue. Economic development and for social welfare have necessitated the raising of larger revenue in India, other than income tax, are only minor

sources of revenue. Among indirect-taxes, customs duties have declined in its importance. Excise duties, therefore, have to be relied upon in an increasing measure.

For a long time to come, direct taxation is not going to have that place in our Fiscal system which is a feature of the economically advanced country. Even when the per-capita income is doubled, a large number of people would still have too low an income to be taxed directly excise duties are, therefore, expected to play an important role.

One of the purposes of excise taxation is also to restrict consumption of the articles taxed. Articles, which are in short supply, are often taxed to restrict their demand to the level of available supplies. Articles of general consumptions are sometimes subject to excise taxation to curb Inflationery forces. In 1957-58, there was a considerable widening of the net of excise taxation in order to restrict the consumptions. One of the reasons for the raising of excise duties on kerosene and Motor-Spirit is to restrict the consumption of these articles from increasing too much. These have to be imported in large amounts and the enhanced excise duty is used as a deterent in order to economise the use of scarce foreign exchange. Similarly, the excise duty on sugar was imposed at one time primarily to check the over-production of sugar, of which there was a danger at that time. Thus, the non-fiscal

objects of excise duties are many a time quite significant.

Another subsidiary consideration in levying certain excise duties is to encourage the production of certain varieties of commodities by restricting the production of others. In imposing many excise duties in India, the Governemnt has given Preferential treatment to small and cottage industries. in the case of cotton textiles, for example, there is no duty on Khadi but on the otherhand, there is a surcharge on Mill-made cloth to subsidise the price of Khadi. In the case of several other commodities like matches, soap, artificial silk fabrics and footwear etc., the rates of duty are lower on the output of smaller factories. Encouragement of the small producer is often an important objective of excise taxation.

There is, however, no case for extending excise duties on necessities of life. Cheap cloth, kerosene and sugar are examples of such articles of mass consumption. Excise duties on articles of mass consumption serve no other purpose except giving the government a revenue at the expense of the large masses of poor people. The oftrepeated argument that excise duty of this type is perhaps, the only way of taxing the poorer classes does not carry any weight. The net of excise taxation is being cast wider and wider in every successive budget and there appears to be no justification for increasing this burden on the poor masses.

The policy of extending excise duties to cover all industries that have grown up under protection is also open to criticism. The loss of revenue from customs duties has to be made up by some means no doubt, but that this loss should be covered only by excise duties has no special relevance. The taxation Enquiry commission recommended this policy and proposed excise duties on certain commodities mainly on this ground. There is, however, no logical basis for such a suggestion. In fact, persons who benefit from protection should also be persons who bear the burden of additional taxation. The burden of excise duties falls on the consumers. There is no reason to believe that it is the consumers who benefit from protection. On the contrary the consumers are forced to pay higher prices because of protection and they continue to pay higher prices when excise duties replace customs duties.

The consumers can be said to benefit from protection only when protection brings down the domestic cost of production of a protected commodity so far as to it possible for the import duty to be removed. There are however, no examples of such commodities in India. Impositions of excise duties on the basis of protections, therefore, does not make a convincing case in this country at least protection benefits the nation as a whole in as much as it help to develop indigeneous industries. The

burden should, therefore, be borne by the country as a whole too. Excise duties may be essential for making up the loss of revenue from customs, but the excise need not necessarily, in all cases, be on the protected industries.

It is, however, necessary that there should be certain broad based yardstics for selecting commodities for excise Taxation. The commodities selected for purposes of excise taxation should conform to one or more of the following conditions.

i) Low price elasticity of demand.

ii) High income elasticity of demand,

iii) Absorbing Scarce Factors needed in the public sector and

iv) In the nature of luxuries goods consumed only by the rich.

Thus a major portion of excise revenue could be derived from a few articles of the nature of luxuries which are at the same time widely consumed. For example, tea, coffee, tobacco etc., These taxes would yield sufficient revenue without putting an unduly, high burden on the poorer classes. These will also help in economising scarce factors.

The revenue from certain excise duties levied in the country at specific rates remains inelastic to price changes. Prices have been rising ever since the world war II

was over, but in many cases the excise duties did not yield proportionate revenues. The rates of such specifies duties had, therefore, to be raised time and again whenever larger revenues are soliciated. Their coverage too had to be widened from time to time for the same reason. It is often been suggested, therefore that excise could be made more elastic source of revenue of only specific duties could be converted into ad valorem duties. This would obviate the need for widening the coverage of excise taxation time and again and making the entire excise administration unwidely and complicated.

The additional excise duties levied on certain commodities in lieu of State Sales Taxes are, however, justified on the ground that the commodities so taxed have an important place in the inter state trade. The replacement os Sales Tax by an excise duty has helped to bring about uniformity in all states in the burden of taxation on such commodities. Further, it has helped to bring about a certain amount of co-ordination, too between excise and sales taxation. The proceeds of such excise duties in lieu of sales taxes are however, distributed to the states to make good the loss of revenue suffered by them on account of replacement of sales taxes.

II) STATE EXCISE DUTIES :

State Government are empowered to levy excise duties on alcoholic liquors, opium, hemp and other narcotics. The duty is leived by a State when the drugs concerned are produced in the state concerned or enter the states jurisdiction from another state. The taxes are levied at varying rates in all states which have not prohibited their sales.

Excise Taxes or Excise Duties are imposed upon the manufacture of particular goods or groups of goods. The difference between excise and sales taxation is essentially one of degree and not of kind while the actual excise duties are confined to a small number of goods with varying rates, sales taxes are general and apply to a very large number of goods and the rate of taxation will be generally the same.

Excise taxes which fall, often heavily, on harmful consumption goods are known as sumptuary taxes. In the case of sumptuary excises, the main justification is that they prevent the excessive use of certain harmful goods, like liquor, narcoties etc. The excessive use of liquor is harmful to a person's health or his work or his dependents. But these excise duties are criticised mainly on grounds that: Firstly, they have the defect of placing a heavy burden on the great majority of persons who use liquor,

narcotics etc., but only moderately and secondly, in considering a commodity really harmful or unnecessary, a moral judgument is involved. The use of morality basis of taxation can never be justified in economic theory and is generally regarded flimsy. Thirdly, the burden on the lower income groups is very high and hence sumptuary excise taxation is regressive, finally, whenever sumptuary excise taxes become excessive and oppressive, they lead to illicit production of liquor, bootlegging and smuggling.

The total revenue of all states from state excise duties amounted to Rs. 49 Crore in 1950-51. The Budgets for the year 1982-83 estimated the receipts from this source at Rs. 1253 Crore. This indicates the importance of this source of revenue, many states are having second thoughts inrespect of extension of prohibition. At a time when the development and welfare activities of states are expanding, they can ill-afford to lose revenue from this source prohibition has, on the otherhand, a social& human aspect which can not be completely ignored. The states must however, realise the importance of going slow in this matter; revenue losses must be carefully balanced against social and human gains before decisions are taken.

3.5 ALLOCATION OF CENTRAL EXCISE REVENUE :

At present, the proceeds of Central excise duties

on all commodities are shared by the Union with the states as recommended by the Sixth Finance Commission, the states get 20% share of net proceeds of Union Excise Duties on all commodities. Before the recommendations of the fourth commission, the states were alloted 20% share of excise duties on only selected 35 commodities. The fourth Commission, for the first time, recommended sharing of 20% of proceeds of all Union Excise with the states. The Fifth and Sixth Commission followed suit. The Seventh Finance Commission doubled the states share of excise duites to 40%.

The Union Excise duties has been an important and growing source of revenue for the centre and the states. This will be clear from the following table.

TABLE - F

STATES SHARE OF EXCISE REVENUE IN UNION EXCISE REVENUE

(Rupees in Crores)

Items of Tax Revenue	1981 -82	1985 -86	1988 -89	1989 -90	1990 -91	1991 -92
Union Excise Duties	7421	12956	18841	22406	24500	26414
Less : States Share	3240	5625	7914	9310	10414	11174
Net Revenue from Excise Duties	4181	7331	10927	13096	14086	15239

(source : Budget Paper, 1991-92, Receipts Budgets).

It is clear from the above table that the share of states excise duties in Union Excise Duties has been increasing since from the first Five year plan to uptill now. It has been increased from Rs. 3240 Crores in 1981-82 to Rs. 11174 Crores in 1991-92. The net revenue from excise duty increased from Rs. 4181 Crores in 1981-82 to Rs. 15239 crores in 1991-92.

3.6 **FINANCE COMMISSION AND UNION EXCISE DUTIES :**

In every Finance Commission, the Government of India, adopted various plans and policies in collecting revenue from Union Excise Duties and State Excise Duty. The various Finance Commission has been explained from the below

UNION EXCISE DUTIES :

Over the years, Government of India has been levying a variety of excise duties, currently they includes (i) Basic and Special Excise Duties, (ii) Cesses, (iii) Additional Duties on Textiles and Textile Articles, and (iv) Additional Duties of Excise in Lieu of Sales Tax.

Cesses are earmarked for particular purposes mentioned in the relevant legislation. They go entirely to the Centre and are not shared with the states. The sharing of basic duties is permissible under Article 272 of the constitution. Such sharing is done in accordance with law of

parliament on the basis of recommendations of the Finance Commission. Sharing of these duties started with only three items on the recommendations of the First Finance Commission, but now all the basic duties are shared with the states. The Additional Duties on Textiles and Textile Articles are levied under the Additional Duties of Excise (Textiles and Textile Articles) Act 1978 and under section 3(2) of the said Act. They are not distributable among the states. Net proceeds of ADE in lieu of sales Tax go wholly to the states. The receipts from the Union Excise Duties have shown a rapid increase and form the most important source of the revenue of the centre.

Each Finance Commission had to face two questions while dealing with basic excise duties, namely (i) determining the combined share of States in the divisible pool and (ii) determining the share of individual states vis-a-vis each other. Expectedly, while all the States wanted a bigger combined share, they have differed on the basis of determination of their individual shares. This is explained by the fact that different criteria are advantageous to different states.

1) FIRST FINANCE COMMISSION :

As regards the combined share of states, the First Finance Commission agreed with the states that they should

have an additional source of income through sharing of excise duties But it felt that instead of having a large number of items with limited yield it was preferable to have a smaller number of items of a much larger yield which would be of substantial help to the states. Accordingly, it recommended that excise duties on only three items, namely, tobacco (including manufactured tobacco), matches, and vegetable products be shared and the States should get 40% of the net proceeds.

The second question, viz., the determination of the shares of the individual States brought forth various criteria for consideration, such as, collection, production, consumption and population. Though logically collection appears to be the most relevant criterion, it is not always necessarily so in the light of vast regional disparities. The existing regional disparties are partly due to the government's economic policy in the past and it is one of its primary duties to iron them out. Therefore, division of excise duties on the basis of collection or production would not be conducive to regional balancing; it will rather increase the imbalance. Similarly, the criterion of consumption has also at least two limitations. Consumption in poorer areas is bound to be less in the richer States with the result that such States would get lower share of excise revenue and add to the regional disparities.

Secondly, consumption of some items is equally a matter of habit, e.g., of tobacco and sugar. People of some areas are used to consume these items more than the people of other areas. On that basis, population appears to be the most justifiable basis for respective share of the states. And if we want to bring in the factor of regional equality and fiscal needs, then the population index should be supplemented with the indices of backwardeness such as per capita income. Thus, no single criterion is really adequate from all angles. In practice, however, the Finance Commissions have heavily relied on population as the basis of distributing the proceeds of the excise duties mainly because of easier availability of data.

The First Fiance Commission recommended that the population of both Part A and Part B States should be aggregated and each State should get its share determined on the basis of the percentage that its population borne to the respective sub-total. Another recommendation of the First Finance Commission was that Bombay, Madras and Madhya Pradesh should also be allowed to levy taxation on tobacco (as other states could) and the compensation payable to them for refraining from imposing this tax should be stopped. 40% of the net proceeds of excise duties on the three items were to be distributed amongst various States on the following percentage basis: Assam 2.61%, Bihar 11.60%, Bombay 10.37%,

Hyderabad 5.39%, Madhya Bharat 2.29%, Madhya Pradesh 6.13%, Madras 16.44%, Mysore 2.62%, Orissa 4.22%, PEPSU 1.00%, Punjab 3.66%, Rajasthan 4.41%, Saurashtra 1.19%, Travancore-Cochin 2.68%, Uttar Pradesh 18.23%, and West Bengal 07.16%, Total 100.00%.

2) SECOND FINANCE COMMISSION :

By the time of the Second Finance Commission, the revenue from Union excise duties had increased from Rs. 83 crores in 1952-53 to Rs. 254.6 Crores in 1957-58, partly due to the elasticity of the existing duties and partly due to the extension of these duties from 13 to 19 commodities. The second Finance Commission noted that there were pleas for extending the sharing of excise duties to all the commodities but they took only one step forward and widened the range to include (besides the three existing items namely, matches, tobacco, including manufactured tobacco and vegetable products) Sugar, tea, coffee, paper and vegetable non-essential oils (thus raising the number of duties to be shared to eight). At the same time, however, they reduced the share of the State from 40 to 25% of the net proceeds. The First Finance Commission had expressed the desire to build up consumption statistics for future use. The Second Finance Commission also agreed that consumption was a desirable basis for determining the shares of

respective states but reliable data did not exist. Hence they also adopted as the basis for distribution, but recommended that 90% of the states share be distributed on the basis of population and remaining 10% be used for adjustments.Since in practice the population criterion would favour some particular states. The states share was to be divided between them in the following way :

Andhra Pradesh 9.38%, Assam 3.46%, Bihar 10.57%, Bombay 12.17%, Kerala 3.84%, Madhya Pradesh 7.46%, Mysore 6.52%, Madras 7.56%, Orissa 4.46%, Punjab 4.59%, Rajasthan 4.71%, Uttar Pradesh 15.94%, West Bengal 7.59% and Jammu and Kashmir 1.75%, Total 100.00%.

Additional Duties of Excise in lieu of Sales Tax (ADE) also come within the category of shared taxes. In 1956, the National Development Council resolved that the Centre should levy these duties on some specified commodities for convenience to trade and for cheking evasion of taxation. Accordingly, the Additional Duties of Excise (Goods of Special Importance) Act 1957 was passed, and three items, namely sugar, textiles and tobacco including manufactured tobacco were subjected to these duties. These duties are levied and collected by the centre, but their entire net proceeds are assigned to the states. Technically, the states remain free to opt - out of the scheme and reimpose sales tax subject to the forefeiture of

their share of the revenue from the additional excise duties on these commodities. However, in practice, the States are prevented from this by Section 14 of the Central Sales Tax Act, 1956 according to which these goods have been declared as goods of special importance. Because of this declaration, the states cannot impose sales tax on these commodities at a rate which exceeds the one specified in the Act.

Moreover, sales tax on these commodities can be levied only at one stage and the local tax is to be refunded if such goods subsequently become subject to inter-state sales tax. On account of all these repercussions, the states do not find it worthwhile to reimpose sales tax and opt out of the scheme.

At the time of the Second Finance Commission, the only commodities subject to the additional excise duties in lieu of sales tax were mill-made cloth, sugar and tobacco. The commission, in their recommendations were to make sure that each state was guaranteed at least the revenue realized from the levy of sales tax for the financial year 1956-57 in the state. The commission recommended that of the net proceeds of these duties, 1% should be assigned to the Union Territories, and 1.25% to Jammu and Kashmir. Out of the balance, the states put together should get a total of Rs. 32.50 Crores by way of guaranteed amounts Rs. 19.76

crores for mill-made cloth, Rs. 7.18% crores for sugar and Rs. 5.56% crores for tobacco. After setting aside the guaranteed amounts, the balance was divided amongst the states on the basis of 'consumption' corrected with reference to population as follows; Andhra Pradesh 7.81%; Assam 2.73%; Bihar 10.04%; Bombay 17.52%; Kerala 3.15%; Madhya Pradesh 7.16%; Madras 7.74%; Mysore 5.13%; Orissa 3.20%; Punjab 5.71%; Rajasthan 4.32%; Uttar Pradesh 17.18%; and West Bengal 8.31%; Total 100.00%.

3) <u>THIRD FINANCE COMMISSION</u> :

The Third Finance Commission noted the fact that the financial needs of the states were increasing repidly while their resources were lagging behind. Accordingly, the Third Commission extended the principle of sharing the duties to all the commodities from which the yield of excise duty was Rs. 50 lakhs or more in 1960-61. They, however, excluded the duty on motor spirit for special purpose grants for the development oc communications. Their recommendations raised the number of duties to be shared to 35, but the share of the states was reduced to 20% of the net proceeds. Regarding the distribution of the states share between the individual states, the commission observed that consumption could not intermediate and producer goods were also included. The commission observed that while determining the

shares of individual States, in additional to population, relative financial weakness of a state, and the percentage of scheduled Tribes and Backward Classes in its population must also be taken into account. Without disclosing the exact formula assigning the weightage of these factors, the commission recommended that the percentage shares of individual States be fixed as follows :

Andhra Pradesh 8.23%; Assam 4.73%; Bihar 11.5%; Gujarat 6.45%; Jammu and Kashmir 2.02%; Kerala 5.46%; Madhya Pradesh 8.46%; Madras 6.08%; Maharashtra 5.73%; Mysore 5.82% Orissa 7.07%; Punjab 6.71%; Rajasthan 5.93%; Uttar Pradesh 10.68%; and West Bengal 5.07%; Total 100.00%.

Regarding the distribution of ADE, the Third Finance Commission followed the pattern laid down by the Second Commission. It allotted 1% of the net proceeds to the Union territories and 1.5% to Jammu and Kashmir. of the balance, it also set aside the guaranteed sums of Rs. 32.50 crores and proceeded to distribute the rest amongst the states on a percentage basis. Like the Second Commission, it also maintained that consumption in each state would be the best index to distribute the proceeds of these duties, but reliable consumption figures were not available. While the Second Commission had used the consumption figures and adjusted the state share with reference to population figures, the Third Commission proceeded to estimate the

percentage increase in sales tax revenue in each state since 1957-58 and modified these figures with the population factor. This approach had its own limitations in the sense that the increase in sales tax revenue from other items is not necessarily indicative of the possible increase in the sales tax revenue from the items under consideration.

Meanwhile, additional excise duty on silk fabrics in lieu of sales tax had also been levied, the yield from which was Rs. 4 lakhs per annum. The Third Finance Commission included this sum also in the guaranteed amount (raising it from Rs. 32.50 Crores to Rs. 32.54 crores). The Union territories were assigned 1% of net proceeds, and the share of Jammu and Kashmir was raised to 1.5%. The final distribution of the percentage shares of different states after the guaranteed sums turned out to be as shown below :

Andhra Pradesh 7.75%; Assam 2.50%; Bihar 10.00%; Gujarat 5.90%; Kerala 4.25%; Madhya Pradesh 7.00%; Madras 9.00%; Maharashtra 10.60%; Mysore 5.25%; Orissa 4.00%; Punjab 5.25%; Rajasthan 4.00%; Uttar Pradesh 15.50%; and West Bengal 9.00%; Total 100.00%.

4) FOURTH FINANCE COMMISSION :

The Fourth Finance Commission completed the process of extending the principle of sharing the excise

duties. It had been the practice of the Cental Government to bring in additional commodities under excise duties with almost every budget so that between one commission and the next, there would be some excise duties which would not be shared simply because they did not exist at the time of the previous commission. The Fourth Finance Commission not only recommended the sharing of all the existing duties but also the ones which would be imposed later. The share of the states was, however, retained at 20% of the net proceeds. Further, more, while determining the shares of the states Vis-a-vis each other, the commission disclosed the weightage given by it to population and economic and social backwardness, viz. 80% on the basis of population and 20% on the basis of economic and social backwardness, the later being indicated by per capita value added by manufacturing, percentage of workers to the tctal population and the like. On the basis of these considerations the Fourth Commission recommended that the respective percentage shares of different states (in 20% of the net proceeds of excise duties being assigned to them) should be as follows :

Andhara Pradesh 7.77%; Assam 3.32%; Bihar 10.03%; Gujarat 4.80%; Jammu and Kashmir 2.26%; Kerala 4.16%; Madhya Pradesh 7.40%; Madras 7.18%; Maharashtra 8.23%; Mysore 5.41%; Nagaland 2.21%; Orissa 4.82%; Punjab 4.86%; Rajasthan 5.06%; Uttar Pradesh 14.98%; and West Bengal 7.51%; Total 100.00%.

Coming to the distribution of ADE, we note that the commission adopted a new basis for dividing the amounts over and above the guaranteed sums; namely, that "the distribution of the balance over the total of guranteed amounts may be made on the basis of the proportion of sales tax revenue realized in each state to the total sales tax collection in all the states taken together"., over the year 1961-62 to 1963-64. This formula also had limitations similar to the ones found in the case of the Third Commission and so need not be pointed out again. The Fourth Commission allotted 1% of the net proceeds to the Union Territories, 1.5% to Jammu and Kashmir, 0.55% to Nagaland and the balance 97.45% was divided between the remaining states, after setting aside the guaranteed sums of Rs. 32.54 crores as indicated below :

Andhra Pradesh 7.42%; Assam 1.98%; Bihar 6.17%; Gujarat 7.43%; Kerala 5.65%; Madhya Pradesh 4.62%; Madras 11.13%; Maharashtra 19.87%; Mysore 5.21%; Orissa 2.58%; Punjab 5.01%; Rajasthan 3.17%; Uttar Pradesh 7.83%; and West Bengal 11.93%; Total 100.00%.

5) FIFTH FINANCE COMMISSION :

The Fifth Finance Commission was passed by the states for a larger percentage share of the net proceeds of the excise duties to which the commission did not agree and

kept their share at 20%. But it recommended that the yield from special excise duties should be included for determining the states, share. The Commission adhered to the rule that 80% of the share should be distributed on the basis of population and the remaining 20% on the basis of backwardness. However, it spelt out the determination of the index of backwardness more fully. It chose seven components of backwardness, viz., the per capita income, the scheduled tribes population, the number of the factory workers per lakh of population, net irrigated area per cultivator, length of railways and surface roads per 100 sq. kms., shortfall in the number of school-going children as compared with those of school-going age, and the number of hospital beds per 1000 population, and assigned equal weightage to all these seven components. They recommended that two-third of the 20% proceeds be divided between those states whose per capita income was below the national per capita income, "in proportion to the shortfall of the State's per capita income from other states". Per capita income of Nagaland for this purpose was considered to be equal to that of Assam. The remaining one-third of 20% was recommended to be distributed on the basis of a composite index of the remaining components of backwardness. The actual percentages of different states were fixed as follows :

Andhra Pradesh 7.15%; Assam 2.51%; Bihar 13.81%;

Gujarat 4.17%; Hariyana 1.49%; Jammu and Kashmir 1.12%; Kerala 4.28%; Madhya Pradesh 8.48%; Maharashtra 7.93%; Mysore 4.65%; Nagaland 0.08%; Orissa 4.72%; Punjab 2.17%; Rajasthan 5.28%; Tamil Nadu 6.50%; Uttar Prades 18.82%; West Bengal 6.84%; Total 100.00%.

Regarding the distribution of the additional excise duties, The Fifth Finance Commission agreed that sales tax yield was not a very reliable base, especially when sales tax was being levied on all types of goods including luxuries, raw materials, intermediate goods and consumption goods. The Fifth Finance Commission, therefore, gave an equal weightage to population and sales tax collection. It assigned 2.05% of the net proceeds to the Union Territories, 0.83% to Jammu and Kashmir, and 0.09% to Nagaland. Of the remaining 97.03% of the net proceeds, the guranteed sums were set apart and the balance was divided between the states in the following manner.

Andhra Pradesh 8.13%; Assam 2.47%; Bihar 8.40%; Gujarat 6.33%; Haryana 1.70%; Kerala 4.84%; Madhya Pradesh 6.34%; Maharashtra 13.89%; Mysore 6.00%; Orissa 3.13%; Punjab 2.98%; Rajasthan 4.42%; Tamil Nadu 9.63%; Uttar Pradesh 12.99%; West Bengal 8.75%; Total 100.00%.

6) <u>SIXTH FINANCE COMMISSION</u> :

The Sixth Finance Commission took note of the fact

that the Fifth Commission had recommended the inclusion of the special duties in the divisible pool, but had not specifically recommended the inclusion of regulatory duties. The centre Started imposing some regulatory duties in 1971. In 1973, their nomenclature was changed to auxiliary duties reserving their yield for the Union only. Expectedly the States pleaded for the inclusion of these duties also in the divisible pool for many reasons. Firstly, they did not want to lose such as a source of revenue which, from all accounts, looked like staying on a permanent basis. Secondly, they were afraid that the centre would be raising the rates of auxiliary duties at the expense of the divisible duties and thus, deprive the states of their legitimate potential share. Thirdly, the effect of the auxiliary duties was indistinguishable from that of the basic excise duties. The Sixth Finance Commission accepted these arguments and recommended that the yield from auxiliary duties should also become divisible from 1976-77 onwards.

The States were also pressing for a larger percentage share from the yield of excise duties to be assigned to them. Such a course, however, would have left the Centre with smaller resources, to aid the relatively backward states with large grants. Accordingly, the commissions decided to retain the States share at 20% of the

net proceeds of these duties (inclusive of the auxiliary duties from 1976-77 onwards.) Regarding the problem of determining the shares of individual states, the commission was flooded, as usual, with different proposals. Like the earlier commissions, the Sixth Finance Commission also emphasised the backwardness as a distinct criterion, but reopended the question of determining the index of backwardness. The fifth Finance Commission had divided the states into two categories in terms of states having per capita incomes which were higher than the national average and the states in which the per capita incomes were below the national average and the states in which the per capita incomes were below the national average. Regarding other variables constituting the component elements of an index of the backwardness, the Sixth Commission found that such a composite index was not a reliable one. First, low per capita income of state could be both a cause and a consequence of economic backwardness and secondly, even some poor states were trying to maintain a comparatively higher level of social services. According to them, therefore, a composite index of backwardness could be both misleading and redundant. It was enough to rely on the per capita incomes of various states as the adequate indicator of their relative backwardness. It requested and obtained from the CSO the estimates of State Domestic Product for three years (1967-68, 1968-69, and 1969-70) and used them as the sole

indicator of economic backwardness. However, it recommended that 75% of the States share should be distributed between them on the basis of population and the remaining 25% on the basis of backwardness. Accordingly, their percentage shares were determined as follows :

Andhara Pradesh 8.16%; Assam 2.71%; Bihar 11.47%; Gujarat 4.57%; Haryana 1.53%; Himachal Pradesh 0.63%; Jammu and Kashmir 0.90%; Karnataka 5.45%; Kerala 3.86%; Madhaya Pradesh 8.15%; Maharashtra 8.58%; Manipur 0.21%; Maghalaya 0.19%; Nagaland 0.11%; Orissa 4.06%; Punjab 1.87%; Rajasthan 5.00%; Tamil Nadu 7.43%; Tripura 0.30%; Uttar Pradesh 17.03%; West Bengal 7.79%; and Total 100.00%.

Regarding the additional duties of excise in lieu of sales tax, the Sixth Finance Commission changed the policy of setting aside the guaranteed sums since in any case, each state would be getting more than the guaranteed amount. The commission estimated that the net proceeds of these duties after meeting the share of Union Territories, for five years would be around Rs. 1,037 crores as against the guaranteed sums of Rs. 162 crores for the five-years period.

The commission further observed that the earlier Finance Commissions "have recognised the principle of compensation to be the only valid principle in the

distribution of additional excise duties. Other considerations such as preferential treatment of backward states, however valid in relations to other central taxes, are totally irrelevant to any scheme of distribution of additional excise duties. Their levy by the Centre is in pursuance of what is equivalent to a tax rental agreement.

The Sixth Finance Commission also noted that the earlier commissions considered consumption as the best measure of the potential yield of a sales tax and that the earlier commissions tried to find out the best way of getting at the consumption indices. It, however, noted that reliable consumption statistics were still not available. It also agreed with the Fifth Finance Commission that Sales tax collection of other commodities was not a good proxy for the potential yield of sales tax on the commodities under consideration. After due consideration of various alternatives, the Sixth Finance Commission chose three factors as the basis of distribution, namely, population, state Domestic Product at current prices and production. The population was proxy of consumption and coupled with production it would give a good basis for potential sales tax yield. The Domestic Product of a state for three years, 1967-68, 1968-69, and 1969-70 was used as an indicator of its backwardness (and sales tax being on an advalorem basis, the State Domestic Product was to be measured at

current prices). In the final analysis, the commission recommended that 1.41% of the net yield-of the additional duties of excise be retained for the Union Territories and the balance 98.95% be distributed between the States in the following manner.

Andhra Pradesh 8.39%; Assam 2.47%; Bihar 9.36%; Gujarat 5.91%; Haryana 1.94%; Himachal Pradesh 0.59%; Jammu and Kashmir 0.73%; Karnataka 5.62%; Kerala 3.58%; Madhya Pradesh 6.98%; Maharashtra 11.65%; Manipur 0.17%; Meghalaya 0.17%; Nagaland 0.08%; Orissa 3.50%; Punjab 2.67%; Rajasthan 4.17%; Tamil Nadu 7.27%; Tripura 0.25%; Uttar Pradesh 16.10%; West Bengal 8.31%; and Total 100.00%.

7) SEVENTH FINANCE COMMISSION :

The Seventh Finance Commission proceeded on the assumption that sharing of Central Taxes should have a predominant role in the transfer of resources from the centre to state and that grants-in-aid under Article 275 should be only a residual transfer. Accordingly, the commission recommended that the entire net collection of excise duty on the generation of electricity attributable to each state be transferred to that state. Further, 40% of the net collection of all the other excise duties, excluding proceeds of additional duties of excise in lieu of sales tax and cesses levied under special Acts and earmarked for

special purposes, be distributed amongst states. As regards shares of individual states, the commission made it clear that sharing of these proceeds should be determined with a view to reducing the inter-state Disparities. But it found that it was desirable to adopt the overall indicators of backwardness instead of partial indicators. Accordingly, the commission decided that the shares of the individual states should be determined by giving equal weightage to (i) population factor, (ii) the inverse of the per-capita State Domestic Product, (iii) the percentage of the poor in each state, and (iv) a formula of revenue equalisation which the commission had worked out. At the time of the commission's Report, Union excise duties were not leviable in Sikkim and therefore, the state was not entitled to a share in the net proceeds of these duties. But in the future, these duties could be levied there. Therefore, the commission recommended two sets of percentage shares (excluding Sikkim and including Sikkim) as follows :

Andhra Pradesh (7.698:7.691); Assam (2.793:2.793); Bihar (13.025:13.021); Gujarat (4.103:4.101); Haryana (1.177:1.177); Himachal Pradesh (0.521:0.521); Jammu and Kashmir (0.839:0.839); Karnataka (4.877:4.876); Kerala (4.036:4.035); Madhya Pradesh (8.727:8.725); Maharashtra (6.633:6.632); Manipur (0.218:0.218); Meghalaya (0.200:0.200) Nagaland (0.097:0.097); Orissa (4.682:4.682); Punjab (1.226:

1.226); Rajasthan (4.913:4.813); Sikkim (-0.028); Tamil Nadu (7.641:7.637); Tripura (0.373:0.373); Uttar Pradesh (18.293: 18.290); West Bengal (8.028:8.025); Total (100.00).

Faced with the task of distributing the net proceeds of additional duties of excise in lieu of sales tax amongst the states, the Seventh Finance Commission found that the difficulties arising from lack of reliable statistics of consumption of articles under question still persisted. It requested the Government to arrange for collection of reliable data in this regard for the benefit of future Finance Commissions. The commission also found that additional duties of excise were not being levied in Sikkim and the State was levying sales tax on textiles only. Accordingly, the commission decided that Sikkim should get a share of additional duties on sugar and tobacco, but not of duties on textiles. However, it provided for the eventuality of Sikkim giving up its sales tax on textiles and getting entitled to a share of the proceeds of that duty also.

Though faced with inadequate data on consumption, the Seventh Finance Commission tried to evolve suitable proxies for the same. As regards consumption of sugar, average of the despatches to Union Territories and each state in three years 1974-77 were estimated. The shares of the Union Territories and of each State in the total of the

average despatches in three years were taken as their respective shares in the net proceeds of the duties on sugar. The average per capita domestic product of a state at current prices for three years 1973-76 multiplied by its population according to 1971 census (The commission was obliged by its terms of reference to use 1971 census figures wherever population was to be a factor in determining respective shares of states) was taken to represent its consumption of textiles and tobacco. The share of a state in the total net proceeds of duties on textiles and tobacco was determined by the percentage of its estimated consumption of these commodities in the corresponding total for all States. (It is however not clear as to why the commission used two different methods for computing the consumption figures for sugar on the one hand and for textiles and tobacco on the other). On this basis, the commission recommended that 3.271% of the duty on sugar be retained by the centre as the portion attributable to Union Territories. The corresponding figures for textiles and tobacco each was 2.192. The balance in each case was to be divided amongst the states as shown in Table below :

TABLE - G

PERCENTAGE SHARES OF STATES IN ADDITIONAL DUTIES OF EXCISE IN VIIth FINANCE COMMISSION

States	Sugar	Textiles		Tobacco
		Without Sikkim	With Sikkim	
Andhra Pradesh	5.245	8.020	8.018	8.018
Assam	2.408	2.298	2.297	2.297
Bihar	5.933	7.221	7.219	7.219
Gujarat	8.742	6.015	6.013	6.013
Haryana	2.656	2.790	2.789	2.789
Himachal Pradesh	0.860	0.734	0.734	0.734
Jammu and Kashmir	0.831	0.744	0.744	0.744
Karanataka	4.901	6.083	6.081	6.081
Kerala	3.783	4.020	4.019	4.019
Medhya Pradesh	6.019	6.422	6.419	6.419
Maharashtra	17.082	13.510	13.506	13.506
Manipur	0.143	0.185	0.185	0.185
Meghalaya	0.029	0.171	0.171	0.171
Nagaland	0.115	0.084	0.084	0.084
Orissa	2.178	3.547	3.456	3.456
Punjab	6.220	4.270	4.268	4.268
Rajasthan	4.729	4.366	4.365	4.365
Sikkim	0.057	.--	0.034	0.034
Tamil Nadu	6.449	7.710	7.707	7.707
Tripura	0.172	0.257	0.256	0.256
Uttar Pradesh	13.184	12.549	12.544	12.544
West Bengal	8.254	9.094	9.091	9.091
Total	100.00	100.00	100.00	100.00

It wil be clear from the above table that the percentage shares of States in Additional duties of Excise in Seventh Finance Commission relating to sugar, Textile and Tobacco has been as follows :

1) SUGAR : Among 22 states in India the percentage shares of States in Additional Excise Duty of Maharashtra had shared 17.082%, Secondly Uttar Pradesh 13.184% and Thirdly Gujarat 8.742%.

2) TEXTILES : The Share of Additional Duty of Excise of Maharashtra is much more than the other 22 states inclusive of Maharashtra. The percentage shares of ADE of Maharashtra was 13.510%, The second comes Uttar Pradesh 12.549%, and Thirdly West Bengal 9.094%.

3) TOBACCO : It has been clear that in the Percentage share of additional Excise Duty of Maharashtra State is much more than the other States. The shares of Additional duties of Excise of Maharashtra during 7th Finance Commission was 13.506%, Second comes Uttar Pradesh States (12.544%) and Thirdly West Bengal (9.091%).

Only few states has been contributed more portion of Excise revenue by imposing duties on such commodities and other States have not. Due to this reasons only few States has been developed. From the above table only three Duties 3 to 4 States has been developed. That is why some states have

more industries so Maharashtra has highly industrially developed among the states in India.

8) <u>EIGHT FINANCE COMMISSION</u> :

The Eight Finance Commission noted the fact that cesses and duties earmarked for special purposes stood at 11% of the total receipts from excise duties. In the view of the commission, this proportion should be kept to the minimum. It further noted that the duty on generation of electricity was to be abolished with effect from Octomber, 1984 and that would reduce the transfers to states. Accordingly, the commission increased the proportion of net proceeds going to States from 40% to 54% while recommending that the entire proceeds of duty on generation of electricity should also go to the States till the abolition of this duty.

The shares of the individual states were determined on a progressive basis. Firstly, 40% of the proceeds were divided amongst the States in the same manner as the division of 90% of their combined shate from income tax proceeds (described above). Secondly, the remaining 5% was allocated to those eleven States which showed deficits after taking into account their shares of devolution of all taxes and duties (including excise duties but excluding estste duty). The share of an individual state was

determined by the ratio of its deficit to the total of the deficits of all states as estimated by Finance Commission and was worked out for each year of the forecast.

The percentage share of individual states in the 40% portion were as follows :

Andhra Pradesh 8.587%; Assam 2.977%; Bihar 13.202% Gujarat 3.506%; Haryana 1.017%; Himachal Pradesh 0.589%; Jammu and Kashmir 0.856%; Karnataka 5.077%; Kerala 3.800%; Madhya Pradesh 8.852%; Maharashtra 6.216%; Manipur 0.223%; Meghalaya 0.194%; Nagaland 0.096%; Orissa 4.592%; Punjab 1.317%; Rajastan 4.696; Sikkim 0.039%; Tamil Nadu 7.317%; Tripura 0.292%; Uttar Pradesh 19.097%; West Bengal 7.449%; Total 100.00.

Coming to the additional duties of excise in lieu of sales tax, the commission recommended that they should be divided amongst states by giving equal weightage to state Domestic Product Average for three years (1976-77 to 1978-79) and population as given in the 1971 census. Union Territories were assigned 2.391% of the total net proceeds, and the balance was divided amongst the states on the basis of the above mentioned weightage. The shares of individual states for all the three commodities came to be the following :

Andhra Pradesh 7.504%; Assam 2.566%; Bihar 8.627%; Gujarat 5.941%; Haryana 2.488%; Himachal Pradesh 0.663%; Jammu and Kashmir 0.853%; Karnataka 5.561%; Kerala 3.963%; Madhya Pradesh 6.942%; Maharashtra 11.461%; Manipur 0.178%; Meghalaya 0.183%; Sikkim 0.039%; Tamil Nadu 7.549%; Tripura 0.287%; Uttar Pradesh 14.318%; West Bengal 8.624%; Total 100.00%.

9) NINTH FINANCE COMMISSION :

A) FIRST REPORT :

The 9th Finance Commission, after considering the varied aspects of the problem, came to the conclusion that for 1989-90, all duties including special excise duties but excluding Additional Duties of Excise (Textiles and Textile Articles) and all earmarked cesses, were to be shared with the states. Further, it retained the share of the States at 40+5% of the divisible pool of excise duties. The 5% portion was assigned to 13 deficit States. The division of the 40% portion was effected as below :

25% on the basis of 1971 population.

50% on the basis of distance of per capita income of the State for 1982-83 to 1984-85 from that of Punjab multiplied by 1971 population of the State. The shares of punjab and Goa were determined with reference to the distance of the next State i.e., Maharashtra from Punjab.

12.5% on the basis of Income Adjusted Total Population, that is to say, 1971 population of a State multiplied by the reciprocal of its average SDP for 1982-83 to 1984-85 as a proportion of the sum of such products for all States.

12.5% on the basis of poverty ratio, that is, the proportion of poor in the States as estimated by the planning commission in 1983-84 in the total for all the States.

On this basis the respective shares of States in their combined total came to the following, namely: Andhra Pradesh 7.858%; Arunachal Pradesh 0.070%; Assam 2.70%; Bihar 13.573%; Goa 0.074%; Gujarat 3.109%; Haryana 1.077%; Himachal Pradesh 0.548%; Jammu and Kashmir 0.713%; Karnataka 5.092%; Kerala 3.707%; Madhya Pradesh 8.726%; Maharashtra 5.635%; Manipur 0.197%; Meghalaya 0.199%; Mizoram 0.065%; Nagaland 0.070%; orissa 4.454%; Punjab 1.310%; Rajasthan 5.097%; Sikkim 0.032%; Tamil Nadu 7.785%; Tripura 0.295%; Uttar Pradesh 19.877%; West Bengal 7.729%; Total 100.00%.

B) THE SECOND REPORT :

The 9th Finance Commission retained the shares of States of States in the Union Excise Duties at 45% of the divisible pool and entire amount was to be divided between the states on the following basis :

(i) 25% on the basis of 1971 population.

(ii) 12.5% on the basis of Income Adjusted Total Population (IATP).

For calculating IATP, the 1971 population of the States was weighted with the inverse of the average per capita income as per the new series for three years from 1982-83 to 1984-85. The share of the state was determined by the percentage of the IATP of the State to the aggregate of the IATP of all States.

(iii) 12.5% on the basis of the index of backwardness.

(iv) 33.5% on the basis of 'distance' of per capita income (new Series) of a State during 1982-83 to 1984-85 from that of the State having the highest per capita income (that is from Punjab; and for Punjab and Goa, from that of Maharashtra) multiplied by 1971 population.

(v) The remaining 16.5% was distributed between deficit States on the basis of the proportion of deficit of each state to the total of all states deficits. The deficit of a state was worked out after taking into account its share from the Income Tax, Excise Duties (above-mentioned 83.5% portion), Additional Duties of Excise and the grant in lieu of the repealed Tax on Railway Passenger Fares.

The percentage shares of the respective states in

their combined total worked out as follows : namely, Andhra Pradesh 7.170%; Arunachal pradesh 0.897%; Assam 3.810%; Bihar 11.028%; Goa 0.523%, Gujarat 3.183%; Haryana 1.099%, Himachal Pradesh 1.943%; Jammu and Kashmir 3.548%; Karnataka 4.104%; Kerala 3.087%; Madhya Pradesh 7.224%; Maharashtra 5.185%; Manipur 1.174%; Meghalaya 0.891%; Mizoram 1.109%; Nagaland 1.348%; Orissa 5.358%; Punjab 1.362%; Rajasthan 5.524%; Sikkim 0.260%; Tamil Nadu 6.379%; Tripura 1.556%; Uttar Pradesh 15.638%; West Bengal 6.600%; Total 100.00%.

In brief, the net collection of Union Excise Duties can be illustrated from the following table :

TABLE - H

SHARING OF NET COLLECTION OF UNION EXCISE DUTIES

Finance Commission	Number of Items	% age share of States in the divisible pool	Divisions of (3) amongst States % age weights assigned to		
			Population	Economic backwardness	Adjestment
1	2	3	4	5	6
I	3	40	100	--	--
II	8	25	90	--	10
III	35	20	Formula Not Disclosed		
IV	All items*	20	80	20	--
V	All items**	20	80	20[1]	--
VI	All items***	20	75	25[2]	--
VII	All items****	40	3		
VIII	All items	45	See	text	
IX(TWO REPORTS)	All Items	45	See	text	

* Excluding regulatory, special and earmarked cesses but including those with might be imposed in future.

** Excluding regulatory duties and earmarked cesses but including special duties for the year 1972-73 and 1973-74.

*** All items inclusive of auxiliary duties (which had replaced regulatory Rules since 1973-74) from 1976-77 onwards.

**** Entire duty on generation of electricity attributable to a state to be transferred to that state. All other basic duties to be shared.

Index of economic backwardness composed of seven components. Two-third of this 20% to be assigned to States with a per capita income below the national average and one-third to be assigned to State with a per capita income above the national average.

Economic backwardness of a State as indicated by its per capita income.

Equal weights to (i) population, (ii) inverse of per capita State Domestic product, (iii) percentage of poor in the State population, (iv) a formula of revenue equalisation worked out by the commission.

3.7 ANNUAL BUDGET AND CHANGES IN EXCISE DUTY :

Every year, the Government of India present its Budget to the Lokasabha on the 28th February. In following parapraphs, I have explain Annual Budget and changes in Excise Duty from 1990-91 to 1994-95.

1) UNION BUDGET 1990-91 and UNION EXCISE DUTY :

The finance Minister claimed that their main thrust of proposals relating to indirect taxes was on simplification and rationalisation. They were also designed to moblise additional resources and to curb conspicuous consumption but not hurt the common man. These proposals emphasised strengthening impulses of growth and export, and to develop a quality culture in the country. In the union Excise Duties, the rates were recast for a large number of goods. These proposals were on the whole revenue neutral. Some of the important changes in the Excise Duties were as follows :

1) Small sector unit received some more fiscal concession. The existing complete exemptions from excise duty in respect of goods upto a value limit of Rs. 15 lakhs in the case of goods falling under only one chapter of Central Excise Tariff was raised to Rs. 20 lakhs. The figure of Rs. 30 lakhs applicable in the case of goods falling

under two chapters was left unchanged.

2) Exemption from excise duty was also granted to certain life saving formulations and bulk drugs. In the same way to encourage diversification in jute industry, jute blankets floor coverage, matting and bleached printed and dyed jute fabrics were exempted from excise duty.

3) There were a number of concessions in excise duties as well as complete exemption from excise duty was extended to pickles. Molasses used in the manufacture of cattle feed, foot, valves of certain specifications used in the agricultural pumps and hand made paper and paper board. The price limit for exemption on foot wear was also raised from Rs. 75 to Rs. 100 per pair. Exemption from excise duty was also granted to certain life saving formulations and bulk brugs similarly, excise duty was reduced on refined rapeseed oil and mustard oil. The duty concession on craft paper etc., used for packaging was also extended to all horticultural produce all over the country. There was a reduction of duty to 5% on indigeneous capital goods industry on a selective basis.

4) There was a package of proposals relating to textiles industry aiming at simplifying and rationalising the tariff structure, minimising the scope for evasion and ensuring a lower rate of duty for most varieties of cheaper

Fabrics. There were essentially two sets of proposals one related to duty rationalisation at the fabric stage and second related to changes in excise duties on man-made fibres and yarns as well as intermediaries used to produce them. As regards cotton fabrics, the whole of basic duty was shifted from cotton fabrics to yarn with hank yarn used by handlooms remaining exempt.

5) There were a large number of items of consumption by better off seasons of society which were subjected to enhanced excise duties.

They included cigarettes, pan masala, cocoa products, jams and marmalades, microwave ovens, washing machines, audio systems, VCRs, VCPs, electronic games, cooking ranges motor cars, refrigerators, air-conditioners and their parts automotive compressors, tyres and tubes and iron and steel. There was also a heavy increase in excise duty on petrol and petroleum products but excluding LPG, naphtha, bitumen, natural gas, furnace oil , light speed diesel oil and kerosene.

2) UNION BUDGET 1991-92

2) BUDGET AND UNION EXCISE DUTIES :

As in the case of most budgets, the budget for 1991-92 also includes a large number of changes in Indirect

Taxes relating to Excise Duties. It is not possible to recount all of them in a meaningful way. So, only important changes relating to Excise Duties were as follows :

1) The price of motor spirit, domestic, LPG and aviation turbine fuel for domestic use were raised by 20%, prices of other Petrolieum products excluding Diesel and Kerosene for non industrial use was raised by 10%. The price of kerosene for non-industrial use was reduced by 10%.

2) Some important medicines, intermediates and bulk drugs were extended tax concessions or exemptions.

3) Some excise duty concessions were extended to cottage, Khadi and Village Industries.

4) Many items of alluminium used in construction works were exempted from Excise Duties.

5) Existing exemptions from Excise Duties enjoyed by utensils from alluminium, stainless steel and copper was extended to various other Household items.

Similarly, some other household items like Bulbs, upto 60 Watts got an exemption from Excise Duties while Two-Wheelers with an Engine Capacity 50 to 75 cc were extended to duty concessions.

6) A number major proposals with the intention of

raising revenue also formed a part of the budget, for 1991-92. They include the following :

(a) Special Excise Duty was raised from this existing level of 5% of basic excise duties to 10%. Tea, Coffee, Sugar, Kerosene, Matches and Vanaspati remained exempt from special excise duty as also Diesel and Two wheelers. This was expected to yield Rs. 1,010 crores per annum, including the share of states.

(b) A Excise Duty rates on refrigerators, air-conditioners including compressors, Motor Cars, Audio & Video Cassette, Tapes, Video cassettes, Picture tubes, colour television sets, VCRS, VCPS and Motor cars, but not taxis were increased.

(c) Excise Duty on non filter cigarettes and filter cigarettes of certain length as also bidies, pan-massala not containing tobacco attracted higher excise duty.

(d) The Excise duty on free sale (but excluding Khandasari sugar) and Molasses were subjected to higher excise duty rates.

3. UNION BUDGET FOR 1992-93 AND UNION EXCISE DUTIES

In case of Indirect taxes, the general thrust of the budget was to reduce the incidence of import duties and

to suitable enhance the excise duties to compensate for the loss of revenue. An effort was made to compensate for the loss of customs revenue through excise duties. There was a partial switch over from specific to ad-valrem rates wherever possible. At the same time, a number of items were subjected to higher duty such as cement, major nor ferrous metals, and forgings and certain other steel products, watches, Paints, Wires, and cables and of course, cigarettes. Also the rate of special excise duty was raised from existing 10% to 15%. However, very many important consumer items were spared. They includes Tea, Coffee, Sugar, Matches, Kerosene, TV'S, VCR'S, Windows and door's made of plastic and iron and steel.

4. UNION BUDGET FOR 1993-94 AND UNION EXCISE DUTIES

Proposals involving changes in rates of duties whetherby amendment of tariffs rates or by notifications. Some changes in the budget relating Excise duties were as follows :

(1) Exemption from whole of excise duty on coffee and tea.

(2) Exemption from whole of excise duty on vegitables plaiting materials and other similar products falling within chapter 14 of Central Excise Tariff.

(3) Reduction in excise duty on Vanaspati and Margirine from Rs. 1900/- to Rs. 1500/- per tonne.

(4) Increase in excise duty on Molasses from Rs. 172.50 to Rs. 200.00 per tonne.

(5) Reduction in excise duty on ....

(a) Noodies and similar products from 17.25% to 10% Adv.

(b) Extruded Snack food and similar goods from 17.25% to 10% Adv.

(c) Biscuits etc., from 11.5% to 7.5% Adv.

(6) Exemptions from whole of the excise duty on goods under sub-heading number 2101.20 of Central Excise Tarriffs.

(7) Adjustment of ratios of apportionment between BED & AED. consequent to the merger BED & CED.

	Present	Proposed
CIGARATTES	65:35	68:32
BIDIS	75:25	77:23

(8) Reduction in excise duty on marble Slabs and tiles from Rs.12.08 to Rs. 10 per sq. mtr.

(9) Increase in excise duty on all goods falling under specified sub-headings numbers of chapter 27 of Central Excise Tariffs from Rs. 4400 to Rs. 5000 per tonnes.

(10) Exemption from the whole of the excise duty on ...

(a) Specified bulk drug and its formulations

(b) Specified formulations and combinations

(c) bulk drugs insulin

(d) 1-Amino, 4-mithyl Piperazine for the manufacture of rifampicin.

(e) L-base required for the manufacture of chloramphenicol

(f) Specified intermediates for the manufacture of bulk drug Centchroman, and

(g) Diamino Malononitrile for the manufacture of Pyrazin amide.

(11) Reduction in Excise duty on ...

(a) Synthetic Organic Dyes from 34.5% to 25% Adv.

(b) Paints and Varnishes from 40.25% to 35% and from 23% to 20%.

(c) All types of inks from 17.25% to 10% Adv.

(12) Reduction in Excise Duty on ...

(a) Cosmetics and Toilet preperations from 120.75% to 70% Adv.

(b) Tooth-Powder from 17.25% to 10% Adv.

(13) I) Rationalisation of Excise Duty on Soaps (Other than the detergent soaps)

(a) Toilet Soaps whether or not containing medicament or

tisinfectant from the existing levels to 20% Adv.

(b) Other Soaps from the existing levels to 5% Adv.

II) Removal of the value limit of Soaps, manufactured under the Janata Soap Scheme and the reduction of Excise Duty of such Soaps from 5.75% to 5% Adv.

(14) Reduction in Excise Duty on Matches as indicated below :

Sector	Effective Rates	
	Present	Proposed
	(Rs. per 100 Boxes of 50 match sticks) each	
Mechanises	3.15	2.40
Semi-Mechanised	2.10	1.25
Non-Mechanised	1.75	1.00
Cottage	0.75	0.50

(15) Exemption from the whole of the excise duty on Cinematographic Films falling under specified sub-heading Nos. of Chapters 37 of CET.

(16) Reduction in Excise Duty on Plastic resins at present attracting excise duty of 46% to 35% Adv.

(17) I) Increase and rationalisation in the specific rates of excise duty on typres, tubes, and flaps.

II) Prescribing excise duty of Rs. 600 and Rs. 530 per tyres on Tyres of similar or equalvent sizes having

alternative uses in light commercial vehicles, and saloon cars or jeeps.

(18) I) Prescribing a uniform rates of Excise Duty of 30% Adv. on transsmission and conveyor belts falling within Chapter NO. 40 or 59 of CET.

II) Exemption from whole of the Excise Duty on Flat beltings or belt of specified width falling within Chapter Nos. 40 or 50 of CET.

(19) I) Reduction in Excise Duty on ....

a) Plastic moulded luggage from 34.5% to 25% Adv

b) Suitcases, executive cases, brief and vanity cases not made predominantely of plastic from 28.75% to 25% Adv.

II) Imposing excise duty of 25% Adv on travelling bags and Rucksacks (other than those made predominantely on leather)

(20) Reduction in excise duty on ....

(a) Ply-wood (other than Ply Wood for Tea Chest) from 34.5% to 20% Adv and

(b) Tea-chest Ply-Wood not conforming to certain specification from 23% to 20% Adv.

(21) I) Conversion of specific -cum Adv rates of excise duty on paper and paper woods to Adv rates of excise duty and rationalisation of existing Adv rates on paper

and paper boards.

II) Inclusion of pulp made from rice or wheet straw in the scheme of full excise duty exemption to writting and printing papers and upquotated craft paper containing not less than 75% of pulp made from bagasse, jute-waste and mesta.

(22) Increase in value limit for exemption for shoddy fabrics both woolen and synthetic and shoddy blankets from Rs. 60 to Rs. 100 per sqr. mtr.

(23) I) Reduction in excise duty on ....

(a) Polyster filament yarn from Rs. 80.60 to Rs. 69

(b) Nylon Filament yarn from Rs. 71.50 to Rs. 57.50 per Kg. and

(c) On polypropylene filament yarn from Rs. 32.50 to Rs. 28.75 per Kg.

(II) Rationalisation of excise duty structure on Viscose, filament yarn.

(III) Reduction in excise duty on specified yarn used by handlooms.

(24) Reduction in excise duty on ....

(a) Polyester staple fibre from Rs. 13.65 to Rs. 12.65 per Kg.

(b) Viscose Staples Fibre and acrylic staple fibre from

Rs. 15.60 to Rs. 14.95 per Kg. and

(c) Nylon staple fibre from Rs. 59.15 to Rs. 14.95 per Kg.

(25) Increase in the excise duty exemption limit on all footwears upto a value of Rs. 125/- per pair and abolition of value limit on foot wears manufactured by specified units in the Rural Areas.

(26) Reduction in excise duty on specified panel boards from Rs. 17.25% to 10% Adv.

(27) Increase in excise duty on ...

(a) Pig iron and articles thereof and sponge iron from Rs. 460 to Rs. 500 per tonne.

(b) Steel ingots, semis, bars, rods, shapes, and section etc., from Rs. 920 to Rs. 1000 per tonne.

(c) Bars, rods, angles, coated with zink etc., from Rs. 1725 to Rs. 1825 per tonne.

(d) Wire quoted or plated with base metals from Rs. 1150 to Rs. 1250 per tonne.

(e) Rails, sleepers and Ingots etc., from Rs. 287 to Rs. 300 per tonne.

(28) Perscribing excise duty of ....

(a) 12.5% Adv. on specified flat products, stainless steel Products electric resistance wire (including electric resistance heating wire), pipes and tubes steel castings and forgings of iron and steel

falling within chapter 72 & 73 of CET.

(b) 30% Adv. on cooking ranges and

(c) 15% Adv. on other specified articles and products of chapter 72 & 73 of CET.

(29) Exemption from whole of the excise duty on iron and steel meterial obtained from one breaking up of the ships, boats and other floating structures falling under heading No. 72.30 and 73.27.

(30) I) Increase in excise duty on ....

(a) Copper sheets and Circles from Rs. 1035 to Rs. 1400 per tonne.

(b) Other copper sheets, circles, plates, strips and foils from Rs. 1725 to 2200 per tonne.

II) Prescribing uniform excise duty rate of 15% Adv. on other copper and articles thereof falling within chapter 74 of CET., at present attracting excise duty of 11.5% ot 23% Adv.

(31) Prescribing uniform rate of excise duty of 15% Adv. on Nickel and articles thereof falling within chapter 75 of CET.

(32) I) Prescribing uniform rate of excise duty on 25% Adv. on Alluminium and articles thereof falling within chapter 76 of CET., at present attracting excise duty of 23% to 40.25% Adv

II) Reduction in excise duty on Alluminium corrugated sheets for housing in rural areas from 17.25% to 15% Adv. and

III) Exemption from the whole of the excise duty on specified alluminum Circles and pipes.

(33) Prescribing uniform rate of excise duty of 15% Adv. on lead and articles falling within chapter 78 of CET., at present attracting excise duty of 11.5% to 23% Adv.

(34) Prescribing uniform rate of excise duty of 15% Adv. on Tin and articles falling within chapter 80 of CET.

(35) Prescribing uniform rate of excise duty of 15% Adv., on zink and articles falling within chapter 79 of CET., at present attracting excise duty of 11.5% to 34.5% Adv.

(36) Prescribing uniform rate of excise duty of 15% Adv. on other base metals, cement and articles thereof falling within chapter 81 of CET.

(37) Prescribing uniform rate of excise duty of 15% Adv., on Tools implements, Cutlery etc., of base metals falling within chapter 82 of CET., at present attracting excise duty of 11.25% to 23% Adv.

(38) Reduction in excise duty on specified capital goods falling within chapter 84, 85 and 90 of CET., from existing levels to 10% or 5% Adv.

(39) I) Reduction in excise duty rates on refrigerators as indicated below :

Capacity	Effective Rates	
	Present	Propossed
	(Rs. per Refrigerator)	
Not exceeding 100 Ltrs.	575	400
Exceeding 100 Ltrs. But not exceeding 165 Ltrs	1725	1200
exceeding 165 Ltrs. But not exceeding 310 Ltrs.	4025	2500
exceeding 310 Ltrs	5750	3500

II) Reduction in excise duty on ....

(a) Refrigerating appliances (other than domestic refrigerators) from 69% to 20% Adv. and

(b) Parts of refrigerating and airconditioning appliances (including gas-compressor for refrigerators but excluding compresser for air-conditioners parts of air-conditioners) from 46% to 30% Adv.

(III) Reduction in excise duty rates on air-conditioners as indicated below :

Capacity	Effective Rates	
	Present	Propossed
	(Rs. per Airconditioner)	
Not exceeding 0.5 tonnes	13,800	7,000
Exceeding 0.5 tonnes but not exceeding 1. tonne	13,800	8,000
exceeding 1 tonne but not exceeding 1.5 tonne	13,800	9,000
exceeding 1.5 tonne but not exceeding 3 tonnes	17,250	14,000
exceeding 3 tonnes but not exceeding 7.5 tonnes	37,950	31,000
exceeding 7.5 tonnes but not exceeding 10 tonnes	80,500	55,000
exceeding 10 tonnes but not exceeding 15 tonnes	85,100	70,000

II) Reduction in excise duty rates on air-conditioners if used in Central or State Government Hospitals

Capacity	Effective Rates	
	Present	Propossed
	(Rs. per Air-conditioner)	
not exceeding 0.5 tonne	4,830	4,800
exceeding 0.5 tonne but not exceeding 1 tonne	4,830	4,800
exceeding 1 tonne but not exceeding 1.5 tonnes	4,830	4,800
exceeding 1.5 tonnes but not exceeding 3 tonnes	6,037.50	6,000
exceeding 3 tonnes but not exceeding 7.5 tonnes	9,085	9,000

(V) Reduction in excise duty of Gas-Compressor for air-conditioners (of capacity not exceeding 7.5 tonnes) from Rs. 6,900 to Rs. 5,500 per unit.

(41) Reduction of excise duty on ...

(a) Electric Fans, From 17.25% to 10% Adv.

(b) Evaporative air-coolers from 23% to 10% Adv.

(42) Reduction in excise duty on dry cell batteries from 34.50 to 25% Adv.

(43) Reduction of excise duty on ....

I) Colour T.V. SETS

Screen Size	Effective Rates	
	Present	Propossed (Rs. per set)
(a) Not exceeding 36 cms. without remote control	1,925	1,250
with remote control	2,200	1,500
exceeding 36 cms. but not exceeding 55 cms.		
without Remote Control (other than PIP)	2,860	1,950
with remote control (other than PIP)	3,135	2,200
Picture in picture type with or without remote control	4,875	2,200
exceeding 55 cms.	55% Adv.	25% Adv.
(b) T.V. sets incorporating Audio Systems	55% Adv.	25% Adv.

		Present	Proposed
(c)	T.V. Sets incorporating video systems	49,5% Adv.	25% Adv.
(d)	Video Projecter and Video Moniters	27.5% Adv.	25% Adv.
(II)	Colour Picture Tube		
	Screen Size not exceeding 36 cms.	1,375	700
	Screen size exceeding 36 cms.	1,485	800
(III)	Radio sets	23%	10%

(44) Exemption from whole of the Excise Duty on Black & White T.V. combinations Sets.

(45) Reduction on Excise duty on ...

(a) Specified Telecom equipments from 17.25% to 15% Adv.

(b) Specified other Telecom equipment from 23% to 20% and

(c) Domestic Electrical appliances and on room heaters from 23% to 15% Adv.

(46) Exemption from whole of the excise duty on all goods falling under the heading number 86.01 to 86.06 of CET when supplied to Indian Railways.

(47) Reduction in Excise Duty on ...

(a) Tractors of engine capacity exceeding 1800 cc from 17.25% to 10% Adv.

(b) Cars and similar vehicles falling under heading Nos. 87.03 and chassis therefor falling under sub-heading No. 8706.30 of CET. from 55% to 40% Adv.

(c) Motor vehicles falling under heading Nos. 87.02, 87.04 and 87.05 of CET and Chassis thereof from the existing levels to 15% Adv.

(d) Trailors and semi-trailors from 23% to 15% Adv.

(e) Three-wheelers from existing levels to 15% Adv.

(f) Multi-Axied Motor vehicles from 17.25% to 10% Adv.

(48) Increase in Excise Duty on Petrol-driven vehicles falling under heading Nos. 87.02 and 87.04 of CET and chessis therefor from existing levels to 40% Adv.

(49) Exemption from whole of the Excise Duty on body-building activity for vehicles falling under heading Nos. 87.02 of CET.

(50) Exemption from whole of the excise duty on parts of Aeroplanes, Helieocopters falling under heading Nos. 88.03 of CET.

(51) I) Exemption from the whole of the Excise Duty of contract lenses

II) Reduction in Excise duty on medical equipments falling under heading Nos. 90.18 to 90.22 of CET

from 11.5%, 17.25%, 23% to 10% Adv.

(III) Exemption from whole of the Excise Duty on specified sight saving equipments.

(52) Reduction in Excise Duty on musical instruments and their parts from 17.25% to 10% Adv.

(53) Reduction in Excise Duty on articles of bedding and similar furnishing of cellular rubber falling under heading Nos. 94.04 of CET from 69% to 30% Adv.

(54) Small-scale exemption scheme

Rationalisation of general SSI scheme

I) Value of Clearances	Proposed duty
Not exceeding Rs. 30 lakhs	NIL
exceeding Rs. 30 lakhs but not exceeding Rs. 50 lakhs	Normal duty - 10% age points (subject to 5% minimum duty)
exceeding Rs. 50 lakhs but not exceeding Rs. 75 lakhs	Normal duty - 5% age points (subject to 5% minimum duty)
exceeding Rs. 75 lakhs	Normal duty

(b) Removal of the existing distinction between one chapter clearances and more than one chapter clearances.

(c) Withdrawal of higher motional credit of 5%

(d) Full Excise Duty exemption to unregister Units for value of clearances not exceeding Rs. 10 lakhs in each financial year.

II) SSI Scheme for Cosmetics

(a) Value of clearances — Proposed duty

Value of clearances	Proposed duty
not exceeding of Rs. 15 lakhs	NIL
exceeding Rs. 15 lakhs but not exceeding of Rs. 30 lakhs	50% of Normal Duty
exceeding of Rs. 30 lakhs	Normal Duty

(b) Enhancement of eligibility limits for availing SSI concession to Rs. 50 lakhs.

III) SSI Scheme for tyres, tubes and flaps
Increasing in the thresh-hold limit of value of clearances for the concessional rate of 50% of the normal effective duty on tyres, tubes and flaps from Rs, 50 lakhs to 75 lakhs.

IV) SSI Scheme for the Refrigeating and Air-conditioning appliances :

(a) Increase in the full exemption limit of value of clearance from Rs. 5 lakhs to Rs. 15 lakhs.

(b) Prescribing the concessional duty for clearances of value exceeding Rs. 15 lakhs but not exceeding Rs. 30 lakhs from the present 60% to 50% of the normal duty payable.

(c) Increase in the maximum turnover limit of all excisable goods of previous years clearances from Rs. 40 lakhs to Rs. 50 lakhs. (All changes in SSI Scheme

exemption will be effective from 1/4/1993.)

(Clause 45 of the Finance Bill)

SUMMERY

Varieties of Duties	CENTRE	STATE	TOTAL
1) Basic Excise Duty	- 66,614	- 54,502	-1,21,116
2) Additional Excise Duty	- 4,156	----	- 4,156
3) Additional Excise Duty	+ 7	+ 365	+ 372
TOTAL	- 70,763	- 54,137	-1,24,900

5. I) UNION BUDGET FOR 1994-1995 AND UNION EXCISE DUTIES

During the budget, the changes relating to excise duties were made as follows:

1. Exemption from excise duty on all goods falling under chapter 13 of CET.

2. I) Reduction in excise duty on ...

   a) Lactose, Glucose, etc. falling under sub-heading

No 1702.19 of CET from 15% to 10% and,

b) Preperation of sugar falling under sub-heading as 1702.21 of CET from 20% to 10%.

II) Prescribing excise duty of 20% of molasses falling under sub-heading No. 1703.10 of CET presently attracting excise duty of Rs. 200 PMT.

3. Increase in excise duty on biscuits from 7.5% to 10%

4. Reduction in excise duty of yeast falling under heading No. 21.02 of CET from 15% to 10%.

5. Prescribing uniform excise duty of 10% of ice-cream and other edible ice falling under heading No. 21.05 of CET.

6. Prescribing uniform excise duty of 50% of pan masala falling under heading No. 21.06 of CET.

7. Prescribing uniform excise duty of 50% of aerated water and preperations for lemonades or other beverages.

8. Imposing excise duty of 20% of denatured ethylacohol of any strength not fit for human consumption falling under heading No. 22.04 of CET.

9. Prescribing uniform excise duty of 40% on :

(a) Chewing tobacco falling under sub-heading was

2404.41 and 2404.49 of CET presently attracting excise duty of 30% and nil rates; and

(b) Snuff falling under sub-heading Nos. 2404.50 and 2404.60 of CET presently attracting excise duty of 30% and 10% respectively.

10. Provision in specific rates of excise duty (BED + AED) of cigarettes falling under sub-heading No. 2403.11 of CET as indicated below :

	Present	Proposed
	(per thousand Cigarettes)	
Non-filter not exceeding 60 mm	120	60
Non- filter between 60 to 70 mm	250	280
Filter not exceeding 70 mm	330	370
Filter between 70-75 mm	630	710
Filter between 75-80 MM	850	950
Filter between 85-100 MM	Tariff rate	Tariff rate
Tariff rate for Cigarettes	Rs. 600 or 300% Rs. 20 whichever is higher.	Rs. 1000

11. I) Reduction in excise duty on white cement falling under sub heading No. 2502.11 of CET 40% to 30%.

II) Imposing excise duty of Rs. 250 PMT on cenet clinkers falling under sub-heading No. 2502.10 of CET.

III) Increase in excise duty onMarble slabs under

sub-heading No. 2504.21 of CET and Marble tiles falling under sub heading as 2504.31 of CET from Rs.10 to 20 per sq. mtr.

12. I) Conversion of specific rates of excise duty on Petroleum products to advalorem rates and prescribing excise duty as indicated below :

	Proposed
Motor spirit (but excluding Naptha & NAC)	20%
Coal Tar Distilattes	20%
All other petroleum products of chapter 27 of CET	10%.

II) Withdrawal of certain exemption on petroleum products.

13. I) Prescribing uniform excise duty of 20% on all inorganic and organic chemicals presently attracting various specific rates and advalorem rates varying from 5% to 40%.

II) Withdrawal of excise duty exemption of specified goods falling under chapter 28 and 29 of CET for specified purposes.

III) Imposition of excise duty of 10% on specified raw materials/intermediates for the Manufactures of pesticides.

14. I) Increase in excise duty on .....

a) Bulk drugs other then schedule I bulk drugs from 5% to 10%.

b) Single ingredient schedure II formulations from 10% to 15%.

c) Specified formulation from Nil to 10%.

II) Imposing excise duty of ....

a) 10% on bulk drug Rifampicin.

b) 20% on specified intermediates for manufacture of Refamapicin; and

c) 10% of Rifamapicin Formulations.

15. Prescribing excise duty of ...

a) 10% on branded ayurvedic, unani, siddha, homoepathic and biochemic madicines; and

b) 10% on surgical absorbent lint, deferrioxme injection, medical grade oxygen, Medicial grade hydrogen peroxide anaesthetics, etc.,

16. I) Reduction in excise duty on ....

a) Synthetic organic dyes from 25% to 20%.

b) Plastic based paints from 35% to 30%.

c) Floresent bringthening agent and other goods of sub-heading No. 3204.30 of CET from 35% to 20%; and

d) Unformulated / unstandardised / unprepared dyes from 60% to 20%.

II) Prescribing excise duty of 20% on certain specified goods falling under chapter 32 of CET.

17. I) Reduction on excise duty on cosmatics and toilet preperation from 70% to 50%.

II) Rationalisation of excise duty on specified goods like sandal wood oil, essential oils, etc. falling under chapter 33 of CET from 15, 20%, 25% to 30%.

III) Withdrawal of exemption on perfumed hair oil cleared in bulk, etc. and imposing excise duty of 10%.

18. I) Prescribing Uniform excise duty of 20% on lubricating preperations etc. falling under chapter 34 of CET presently attracting excise duty of 15% or more.

II) Reduction in excise duty on detergent powders falling under sub-heading No. 3402.90 of CET from 35% to 30%.

III) Increase in excise duty on laundry soaps and Janata soaps from 5% to 10% and withdrawal of the exemption of soaps Manufactured without the aid of power, small scale Industries (SSI) exemption Scheme available.

19. Reduction in excise duty on starches, etc., falling under chapter 35.00 of CET from 45%, 30% to 20%.

20. Increase in excise duty on medical X-ray films from 5% to 10% and to reduce on other X-ray films from 15% to 10% and to convert specific rates to an advolorem rate of 10% on unexposed cinematographic films.

21. Prescribing unifrom excise dutyof 20% on explosive, etc. falling under chapter 36 of CET presently attracting excise duty of 15% or more.

22. Prescribing uniform excise duty of 20% on Photographic films, photographic papers, etc. falling under chapter 37 of CET presently attracting excise duty of 15% or more.

23. I) Imposing excise duty of 10% on insecticides, pesticides fungicides etc. and plant growth regulators.

II) Prescribing uniform excise duty of 20% on Misc, chemicals falling under chapter 38 of CET presently attracting excise duty of 15% or more.

24. I) Reduction on excise duty on bulk polymers (plastics) from 35% to 30%.

II) Rationalisation of duty structure on plastic resins

and articles falling under chapter 30 of CET (with certain exceptions) to three slabs of duty viz. nil, 20% and 30%.

24. III) Imposing excise duty of 20% on insulated wire falling under chapter 39 of CET.

25. I) Imposing excise duty of 20% on certain articles of rubber falling under sub-heading Nos. 4008.29, 4009.10, 4009.91 and 4009.99 of CET.

II) Increase in excise duty on certain varieties of rubber and rubber articles from 15% to 20%.

III) Reduction in excise duty on cellular rubber and articles thereof from 70% to 30%.

iv) Imposing excise duty of 20% on certain flat belts/ beltings and extension of general SSI exemption scheme for goods falling under heading No. 59.08 of CET.

v) Extension of general SSI exemption scheme to Manufacturers of tyres, tubes and flaps w.e.f. 1-4-1994 in place of existing scheme.

VI) Providing for duty at advalorem rates, in lieu of existing specific rates, on tyres and tubes at the rate of nil / 25% / 45%. These changes will come into force from a date to be notified by the Central Govt.

26. Withdrawal of exemption from excise duty on certain articles of leather and imposing excise duty of 20% on them.

27. Reduction in excise duty on ....

   a) Veneered panels and similar laminated wood (including black board,) falling under sub-heading No. 4408.90 of CET from 30% to 20%.

   b) Densified wood and articles thereof from 25% to 20% and

   c) Flush doors from 35% to 20%.

28. Prescribing excise duty on waste and scrap of paper or paper board presently attracting specific cum advalorem rate of 10% plus Rs. 2000 PMT.

29. I) Rationalising and prescribing uniform excise duty of 20% on all varities of paper and paper Board.

   II) Prescribing a uniform excise duty of 20% on all printed cartons, boxes, containers and cases.

   III) Removal of MODVAT credit restriction of Rs. 800 PMT on paper and paper board used as input.

   IV) Modification of existing schemes and excise duty structure so as to cover all paper and paper board or articles made thereof Manufactured frcm

unconventinal raw materials as under ....

a) Extending the benefit of excise duty concession based on unconventional raw materials to all types of such raw materials.

b) Modification in the excise duty structure applicable for use of unconventional raw materials to the extent of at least 75%.

i) Small paper Mills	10%
ii) Big Paper Mills	10%

c) Modification in the excise duty structure applicable for use of unconventional raw materials to the extent of at least 50%

i) Small Paper Mills	10% of all clearances upto 33000 MT 15% of all exceeding 33000 MT
ii) Big Paper Mills	15%

d) Withdrawal of exemption from excise duty to Packing cases made from paperboard in the Manufacture of which 90% of raw materials used are pine needles and imposing excise duty of 10% on them; and

e) Doing away with the restriction of clubbing the clearances of small paper mills owned by a single Manufacturer for computing the limit of 33000 MT

aforesaid.

30. I) Prescribing excise duty of 15% on silk yarn and woolen yarns.

II) Prescribing excise duty of 10% / 15% on processed woolen fabrics in lieu of existing varying rates and subjecting such fabrics to a uniform AED of 5%.

31. Prescribing uniform excise duty (BED Plus AT & T) of 5.75% on cotton yarn presently attracting duty varying between Rs. 58 per Kg to Rs. 9.78 per kg.

32. Conversion of existing specific rates of excise duty (BED Plus AT & T) to advalorem rates on.

a) Polyester filament yarn (PFY) from Rs. 69 per Kg to 60%.

b) Nylon Filament yarn (NFY) (less than 750D) from Rs. 57.50 per kg to Rs. 34.50.

c) Viscose Filament Yarn (VFY) (less than 350D) from Rs. 19.55 per Kg to 17.25.

d) Viscose Filament Yarn (VFY) (350D and above) from varying rates to 11.50%.

e) Polypropylene Filament Yarn (PPFU) and PBT yarn from Rs. 28.75 per kg to 34.50% and,

f) Nylon tyre yarn from Rs. 26.45 per Kg to 23%.

33. Conversion of existing specific rates of excise duty (BED) PLUS AT & T) to advalorem rates on all fibres and spun yarns ...

a) Polyester staple fibre (PSF) from Rs. 12.65 per Kg to 23%.

b) Acrylic staple fibre (ASF) from Rs.14.95 per Kg to 23%.

c) Viscose Staple fibre (VSF) from Rs.14.95 per Kg to 23%.

d) Cellulosic spun yarn falling under heading No. 55.05 of CET (100% viscose yarn) from existing rates to 23% and

e) certain specified spun yarn falling under chapters 52, 53 and 55 of CET from existing rates to 23%.

34. Withdrawal of exemption from excise duty on textured yarn made out of duty paid yarn.

35. Conversion of various specific rates of AED on processed fabrics (both cotton and man made to advalorem rates of 5%, 10% and 20%.

36. Imposing excise duty (BED Plus, AT & T) of 23% on polypropylene spun yarn and acrylic spun yarn.

37. I) Reduction in excise duty on carpets and floor coverings from 35% to 30%.

II) Converting the existing specific rates of duty on

jute products to 5% and 10%.

38\. I) Imposing excise duty of 10% on gauze.

II) Increase in excise duty on embroidered fabrics under the compounded levy scheme from various rates of a uniform rate of Rs. 25 per metre length of machine per shift and increase in normal excise duty on embroidered fabrics from 5% to 10%.

39\. I) Reduction in excise duty on linoleum and other Floor covering from 35% to 30%.

II) Prescribing advalorems rates of excise duty on various yarns meant for supply to handloom sector instead of the present specific rates.

40\. I) Prescribing uniform excise duty of 30% on PVC leather cloth, withdrawal of the seperate exemption scheme for small units and removed of the restriction in availment of MODVAT credit.

II) Imposing excise duty of 10% on book binding cloth or similar stifened textile fabrics and extension of SSI benefit.

41\. Prescribing excise duty of 10% on certain clothing accessories and made up textiles articles falling under heading Nos. 62.02 and 63.01 of CET.

42. I) Reduction in excise duty on foot wear and parts of foot wear presently attracting 20% to 15%.

II) Withdrawal of all existing exemptions on footwear and parts and imposing 15% duty. Exemption continues for foot wear and parts manufactured in rural areas., by specified institutions and by ordanance factory, kanpur.

43. Imposing excise duty of 10% on ....

a) Safety headgear and parts of all headgear and

b) Umbrellas and parts of umbrellas.

44. Rationalisation of excise duty structure of articles of stones, plaster, etc. falling under chapter 68 of CET from varying rates to three slabs of nil, 20% and 30% with certain exceptions.

45. I) Reduction in excise duty on glazed ceramic tiles falling under sub-heading No. 6906.10 of CET from 55% to 40%.

II) Rationalisation of excise duty rates on ceramic articles falling under chapter 69 of CET from various rates to four slabs of nil, 10%, 20%, and 30%.

III) Imposing excise duty of 10% on ceramic water filters of capacity not exceeding 40 liters and ceramic

candles for water filters.

46. I) Prescribing a uniform rate off 20% on all goods with few exceptions falling under chapter 70 of CET presently attracting excise duty ranging between 10% to 30% (Except for glass containers falling under heading No. 7007,90 of CET, Manufactured by automatic proccess)

II) Imposing excise duty of 10% on glass inners for vaccume flasks and vessels and glass ampules and vials for injectibles.

III) Conversion of existing varying specific rates of specified types of glass sheets to a uniform advalorem rate of 20%.

47. Exemption from excise duty on articles of gold, silver, platinum, pelladium, rhodium, iridium, osmium and ruthenium falling under chapter 71 of CET.

48. I) Prescribing uniform excise duty of 10% on pig iron, waste and scrap of iron, granules and powders of iron, ingots and semi-finished products of iron presently attracting specific excise duty of Rs.5000 PMT.

II) Prescribing uniform excise duty of 15% on all gas

stoves, cooking ranges and all other goods falling under heading No. 73.21 of CET presently attracting excise duty of 15% and 30%.

III) Prescribing excise duty of 10% on ingots, rails, sleepers for railways tracks presently attracting duty of Rs. 300 PMT.

IV) Withdrawal of exemption from excise duty on rerolled products of iron and steel and extension of general SSI scheme to such products.

V) Withdrawal of certain exemptions and prescribing uniform excise duty of 15% on other iron and steel products falling under chapters 72 and 73 of CET.

49. Withdrawal of certain exemptions and prescribing uniform excise duty of 15% on copper, lead, zinc and their articles.

50. Withdrawal of certain exemptions and reducing excise duty from 25% to 20% on aluminum and articles falling under chapter 76 of CET.

51. Imposition of excise duty of 10% on pressure cookers falling under chapters 73 or 76 of CET.

52. Prescribing excise duty of 20% on crown corks and pilfer proof caps as against specific rate of Rs. 0.06 per cap.

53. Reduction in excise duty on ....

a) Miscellaneous articles of base metals falling under heading No. 83.02 of CET from 30% to 20% and

b) Safes and strong boxes from 40% to 30%.

54. Prescribing uniform rate of excise duty of 10% on specified electrical and non electrical machinary presently attracting rates on of / 5% / 15%.

55) Imposed excise duty of ...

a) 10% on various IC engines, parts of PD pumps, water filter of capacity less than 40 liters, filter for diesel engines, fire extinguisher, part of power tillers.

b) 20% on specified components, water coolers, gaskets etc., and

c) 30% on specified components used in manufactured of water coolers.

56. I) Prescribing advalorem rates of excise duty in place of specific rates as mentioned below :

a) 60% on air conditioners and compressors thereof.

b) 30% on air conditioners and supplied to Government hospitals and

c) 20% for all refrigerators.

II) Reduction in excise duty on car air-conditioners and

parts thereof from 75% to 60%.

57. I) Increase in excise duty on specified Machine tools and textile Machinery from 5% to 10%.

II) Prescribing uniform excise duty of 10% on goods falling under heading No. 84.19 of CET other than refrigerations and air conditioning items.

III) Increase in excise duty of specified goods for power sector from 5% to 10% / 20%.

IV) Prescribing uniform excise duty 20% office equipment domestic electrical appliances, etc., presently attracting rates varing between Nil to 30%.

V) Prescribing 15% excise duty of electronic typewriters.

58. Reduction in excise duty on insulators/primary batteries from 40% to 30%.

a) To allow on option to pay normal excise duty in place of concessinal duty.

b) To extend the general SSI exemption Scheme to tyres, tubes and flaps etc., and

c) To extend the general SSI exemption scheme to certain textile goods, specified metals and their articles etc.

changes mentioned in (a) to (d) above will come force from 1-4-1994.

C) Extension of MODVAT

1) Extension of MODVAT scheme to petroleum products (excluding motor spirit and high speed diesel oil) used as input.

2) Extending MODVAT credit of duty paid on inputs used in the manufacture of all spun Yarns of chapters 50, 51, 52, 53, 55 of CET.

3) Extension of MODVAT to capital goods including components, parts and accessories and moulds and dies.

SUMMARY

Varities of Duties	Centre	State	Total
1) Basic Excise Duty	- 6139	- 5023	- 11162
2) Additional Duty on Textile and Textile Articles	1514	-	1514
2) Additional excise Duty of lieu of sales tax	385	19843	20228
TOTAL	- 4240	14820	10580

From these above budgets, it will be clear that, the rate of duty of excise raised on certain excisable goods, and lowered on certain commodities, and some exemptions on commodities from excise duties. And some exemption from excise duties made previous were withdrawn and brought to be charged to the next following year. This has been happening to our Indian Budgets.

II) OBSERVATION MADE BY RADHAKRISHNA N. NAYAK

BUDGET - 1994-95 AND EXCISE PROCEDURES

This years Budget can really be called a landmark budget. It has made genuine efforts to move away from the past mistakes and also made efforts for widening the tax net both for indirect and direct taxes. It also aims at moving towards adoption of VAT and also for some simplifications of Procedures. Let us analyse the two changes introduced in this Budget.

Doing away with the filing of price list, gate passes and adoption of invoice based Excise duty payment. Doing away with the Filing of price lists is more in the interest of excise authorities than the assessees.With the introduction of advalorem duties on such a large scale, the department would have been flooded with price lists and with their present strength, they would not be capable of dealing

with this deluge of papers.

Doing away with gate passes and adoption of invoice based excise duty payment appears to be simplification, but it give rise to some fresh problems, viz, each invoice is required to be authenticated by Managing director, Company secretary before being brought to use. Any company, whose turnover can range from one crore to thousands of crores has one or a few Managing Directors and generally, one secretary. The same company can also have manufacturing facilities all over India like Reliance, Hindustan Lever. Now we can see how impractical it will be to expect a managing director / company secretary to authenticate all the invoices for clearances to be made from factories situated all over India. This new provision may make his appointment just for the sake of authenticating the invoices only.

* MODVAT on Capital goods.

The relevant notification has given the definition of capital goods as follows - capital goods means, ...

** Machines, Machinery, Plant, equipment, apparatus, tools, or appliances used for Producing or processing of any goods or for bringing about any change in any substance for the Manufacture of Final Products.

* Components, spare-parts and accessories of the

aforesaid machine, machinery, plant, equipment, apparatus, tools or appliances used for aforesaid purpose and

* Moulds and dies, generating sets and weigh bridges used in the Factory of the manufacturer.

If we analyse the definition, we will see that generating sets and weigh bridges are not treated as plant, machinery, this is patently wrong as The Companies Act and Income Tax Act classifies it under plant / machinery. Now, the incidental fallout of this wrong classification will be that components, spares and accessories of weigh bridges and generating sets will not be eligible for MODVAT.

No credit of excise duty will be allowed, where the assets are acquired by way of lease, hire-purchase, loan, or any other way where the property is not transferred to such manufacturer. It will be appreciated that for a growing business acquiring assets by way of lease, hire purchase is the only way for high growth. It is very difficult to comprehend looking Budget expects manufacturers to fund fully the acquisitions of new capital goods. This unnecessarily differentiates between various legitimate modes of financing for acquisition of assets.

No credit will be allowed if Manufacturer claims depreciation under Section 32 of Income Tax Act on Excise duty paid on capital goods, we will see how this clause

actually negates the so called benefit on account of MODVAT on capital goods. For that purpose, let up assume for our hypothetical working as follows :

1) Capital asset of Rs. 1,00,000 is acquired on which 20% excise duty of Rs. 20,000/- is paid

2) Sales is made of Rs. 4,00,000 on which 20% excise duty of Rs. 80,000 is paid.

3) Cost of above Sales is say Rs. 2,00,000.

4) Asset is 100% depreciable.

5) Prior to these transaction, let the balance sheet figures be : capital Rs. 10,00,000; Assets Rs. 5,00,000; Cash Balance Rs. 5,00,000.

Now, let us see that the effect on the Profit and Loss Account and Balance Sheet :

1) Pre-Budget, that is, no MODVAT is available on Capital goods.

a) PROFIT AND LOSS ACCOUNT :

Sales inclusive excise	Rs. 4,80,000
Cost of Sales	Rs. 2,00,000
Excise (fully paid in cash)	Rs. 80,000
Depreciation	Rs. 1,20,000
Total Expenses	Rs. 4,00,000
Net Profit	Rs. 80,000

b) BALANCE SHEET :

Capital		Rs. 10,00,000
Profit & Loss Account		Rs. 80,000
		Rs. 10,80,000
Assets		Rs. 5,00,000
Cash on balance	Rs. 5,00,000	
Add : Sales	Rs. 4,80,000	
	Rs. 9,80,000	
Less : Cost of Sales	Rs. 2,00,000	
Excise	Rs. 80,000	
Capital Assets	Rs. 1,20,000	
		Rs. 5,80,000
		Rs.10,80,000

2) POST BUDGET THAT IS MODVAT is available on capital goods

a) Sales inclusive Excise	Rs. 4,80,000
Cost of Sales	Rs. 2,00,000
Excise Payable (payment in cash Rs. 60,000) and set off Rs. 20,000 on account of MODVAT on capital Assets)	Rs. 80,000

Depreciation only on original cost if we have to get MODVAT benefit	Rs. 1,00,000
TOTAL EXPENSES	Rs. 3,80,000
NET PROFIT	Rs. 1,00,000

b) BALANCE SHEET :

Liabilities		Assets		
Capital	Rs. 10,00,000	Assets		Rs. 5,00,000
Profit and loss account	Rs. 1,00,000	Cash on balance	5,00,000	
		Add: Sales	4,80,000	
			9,80,000	
		Less: Cost of sales	2,00,000	
		Excise	60,000	
		Capital Asset	1,20,000	Rs. 6,00,000
	Rs. 11,00,000			Rs.11,00,000

From the above it may be left that profit has increased by Rs. 20,000 but if we analyse the Balance Sheet we will see that, the so called MODVAT benefit has been transformed from a revenue item to Balance Sheet item

because with increase in Profit and Loss Account of Rs.20,000/- the cash balance has also increased by Rs.20,000/- Therefore, this exercise appears to be more near window dressing of Balance Sheet than giving of any real benefit to assessees.

Declaration is to be filed with Assistant collector on receipt of capital goods. Now, if we see the definition of capital goods, we will see it also covers components, spare parts and accessories of plant and machinery. These components spares and accessories can be so numerous in numbers and valuewise. It can be appreciated that on every receipt of the defined capital goods, filing of declaration to Assistant collector, will involve lot of paper work not only for the assessee but also for the Assistant Collectors Office.

In addition to the above declaration, the assessee has to intimate the particulars of the capital goods to the superindent of excise on receipt of capital goods but before installation / use thereof. Even after filing the declaration and required intimation, the assessee cannot take credit before varification of the capital goods by the superintendent. This requirement also adds to the paper work of the assessee. This provision will also be a major irritant in taking credit especially in case of components., spares and accessories where quantity wise and valuewise, it

may be small for getting it verified by superindent on every receipt, but can not be neglected because the yearly totals may be substantial. This provision also gives ample scope for corruption.

Credit can be taken only where the goods are originally consigned to Manufacturer. This provision again overlooks some ground realities for example, big manufacturers generally have godowns spread over different places and they clear goods from the gactory and store in these godowns for distribution to local places. In this, case manufacturer will be losing credit as the gate pass will not be in his name. There is a need for some relaxation in this condition.

We see that for getting this cosmetic benefit on account of MODVAT on capital goods. We will have to self-finance asset, put up with the hell lot of paper work.

3.8 REFORMS SUGGESTED BY CHELLIAH AND REKHI COMMITTEE

In the below, the reforms suggested by Chelliah, and Rekhi committee regarding Central Excise has been explained below :

The common question that is being posed by trade and industries is "why not simplify excise laws, and reforms Central excise". Unfortunately, inspite of the big

talk on simplification and rationalisation, the actual result is just the contrary. The manufacturers still consider excise as a nightmare and the law of central excise continues to scare manufacturers.

Since the excise authorities have revenue angle in mind, they always consider the manufacturers as defaulters and book cases on some pretext or the other and collect more revenue, which result in long drawn litigation.

The area of dispute in Central excise is classification of excisable goods. The department invariably disputs the classification as arrived at by the manufacturer and modifies the same to another heading which attracts more duty than the original heading classified by the manufacturer. A recent example reported is the reclassification of a chemical products as product of plastic with the intention to levy more duty.

The dispute goes on for years and the manufacturer is in a dilemma as to whether he should pay higher rate of duty or stick to his guns and pay the correct rate of duty as classified by him.

Under the Central Excise law, the introduction of Self Removal Procedure (SRP) in 1969 was indeed a welcome stop where trust has been shown on the manufacturer even though lengthy procedure / documentation has to be followed

by the manufacturers. In 1980 SRP was further amplifed as production Based Control (PBC) and Record Based Control (RBC). These scheme are meaningful but unfortunately not implemented in full spirit due to constraint on manpower.

The recent hope of the industry is the recommendation made by the Chelliah Committee, whose recommendations are noteworthy. In fact, the industry hoped that the recommendations would be implemented at least partly but to the great disappointment. The finance minister announced in the Union Budget 1993-94 that he is directing the National Institute of Public Finance and Policy to study the recommendations for implementation.

The salient recommendations pertaining to Excise Law by the Chelliah Committee are as follows :

RATES OF DUTY :

The committee has recommended two levels of rates of duty to make it simple and easily administerable. The first level of three rates is 10 percent, 15 percent or 20 percent advalorem and the second level is for selective non essential consumption items attracting duty of 30 percent, 40 percent or 50 percent with a few exceptions like cigarettes.

This is in fact the need of the day as many

disputes today arise on account of exorbitant rate of duty which paves the way for clandestine removal and / or intentional evasion of payment of duty by many manufacturers.

NEW SCHEME :

The committee proposes new scheme of totally simplified Assesment Procedure (SAP) in respect of small-scale units whose turnover in the preceeding year did not exceeds Rs. 30 lakhs.

In a way this scheme is in operation though not under the title mentioned above since the turnover limit for total exemption for both registered as well as unregistered SSI units is now kept at Rs. 30 lakhs. This implies that there is absolutely no excise control of SSI units whose turnover does not exceed Rs. 30 lakhs and even for obtaining the registration certificate in terms of Rule 174 it is now only after crossing Rs. 30 lakhs turnover.

Too many notifications :

The committee recommends that all exemption notifications should be subject to close scrutiny with a view to ascertain whether this can be widthdrawn and further where notifications prescribe effective rates of duty without any conditions, such rates can be incorporated in

the tariff itself after adjusting them in line with the rate structure.

The complexity in the excise regulations is mainly contributed by issue of too many notification and on a continues basis. Notification 1/93 which deals with new scheme of exemption for the SSI units is already revised three times within a span of 2 months and the earlier notification 175-86 was amended 39 times. Too many amendments create confusion and give scope for industries to lose confidence in the very basic scheme. Eventhough efforts were made to reduce notifications, the results are very discouraging and the notification regime requires priority attention of the ministry.

Specific rate duty Vs. advalorem :

The committee recommends that in a system of commodity Taxation, A advalorem duties are preferable to specific duties particularly under MODVAT regime. The committee, therefore, recommended switching over to advalorem rates in respect of a number of commodities. However, for administrative convenience, the committee recommends for continuation of specific rates for commodities like petroleum products, tobacco products, textiles.

This recommendation is very much against the

earlier thinking of the government which was seriously contemplating s witching over to specific rates and minimising advalorem rates since advalorem rates only contribute to disputes in valuation. This recommendation certainly requires detailed study from the point of view of revenue angle vis-a-vis the never ending disputes. The specific rates can always be revised after taking into account the price increase as represented by the wholesale price index.

TAX ON SERVICES :

The committee recommends that tax be levied for the present on the present on the following services :

__________Advertising services;

__________Services of Stock brokers;

__________Services of automobile insurances;

__________Services of insurance residential property, personal effects and jewellery and;

__________Residential telephone services.

These go against the very scheme of levy of taxes as envisaged in the constitution of India since entry No. 84 of tre seventh schedule provides for levy of taxes "on goods" and therefore, this aspect may go against the scheme of taxation besides constitutional debate that may arise.

<u>Valuation</u> :

The committee is of the view that the valuation methods should be simple and fair so that by and large the manufacturers are not provoked to take up the issue to the court and at the same time unscrupulous elements do not make this as a gateways of evasion. Therefore, the committee strongly suggests that the Department will have to adopt invoice value for assessment and carry out the needed changes in the procedures.

The committee also recommends creation of a Directorate of Valuation with the responsibility of having consultations with the manufacturers association in regard to fixation of quantum of abatement from the retail price, the work of fixation of Tariff value.

The need of the day in certral excise administration is though revamping of the valuation area which remains a grey area due to unwanted interpretation of the existing statutes and overenthusiastic revenue angle displayed on valuation aspect. Unfortunately, under the present law, there is no prescribed time for approval of classification list and price list and the manufacturer is in dark on the fate of the classiffication / price list filed with the department.

Like in Rule 174, there should be a time frame

for approval of classification list / price list and if the specific time limit for the classification list / price list is not adhered to, it should be deemed to be approved. If this aspect is incorporated in the rules, this will boost up the confidence of the manufacturers in the excise administration and also reduce legal battle which is being fought for years together.

REKHI COMMITTEE RECOMMENDATIONS :

Some of the noteworthy recommendations are as follows :

It would avoid futile disputes and litigation if accepted and settled case law is incorporated in the statute in the form of definitions and provisions. The committee have suggested suitable definitions for " goods ", "marketable", "excisable goods" and provisional assessment.

The expression "classes of buyers" may be defined to include dealers, industrial consumers, government, local authourities and the like, that of "wholesale trade". Transaction value based on different prices and / or different discount structure even within the same class of buyers may be accepted so long as the differentials were genuine and based on valid commercial reasons. A similar approach should be followed for best judgement assessment under section 4(1)(b)/ valuation rules.

No addition to the value may be made on account of interest on advance deposits and per contra no deduction by way of interest on receivables be allowed from the value.

Rule 5 of the valuation rules may be amplified with suitable illustrations to make it clear that additional consideration is to be added to the total price realisation of the assessee and not straight way to the net assessable value.

Expression " whether directly or indirectly and whether contained physically in the final product or not" may be added after the existing words "used in or in relation to the manufacture of the said final product" in Rule 57A.

For the sake of mitigating the effect of our high cost economy as well as simplicity of MODVAT operation, central excise duty on capital goods may be withdrawn. If this suggestion is not acceptable, such duty may be modvated in five annual instalements.

MODVAT credit should be available only within one year from the date of issue of relevant gate pass / payment of customs duty on bill of entry. Later, if the government finds that even this time limit is too long, it may further reduce it to six months.

Institution of a very high-powered settlement commission may be helpful in earlier resolution of complicated and long drawn out cases in which there is scope for compounding or give and take on doubtful points. The committee have suggested two options on how the proposed settlement commission may be organised.

There should be no time limit for re-entry of articles for repair if they happen to be of the type which the original manufacturer alone is in a position to repair, for example, transformers, computers and so on. The condition of producting original duty paying documents may also be relaxed by the Range Superintendent subject to production of the collateral evidence. The time limit of one year or within the warranty period whichever is more laid down in Rule 173 H of the Central Excise Rules, 1944, should be strictly followed in the case of other articles which can be repaired in the market.

As a healthy practice, the Central Excise Internal Audit parties should conduct their audit while sitting in the range office and ordinarily should not go to the factories for this purpose. The C & AG of India may also be requested to give a similar direction to his CERA Audit parties.

The time is now ripe in the Indian economy to

bring about the changes in the taxation system which will create confidence in tax payers and what is required in any taxation system is simplicity, certainty and early finality. The recommendations of the Chelliah Committee as well as Rekhi Committee are to be implemented without any further delay so that the much awaited reforms in Central Excise are really given shape than remaining in history.

Both the reforms suggested by Chelliah and Rekhi committee were very useful from the Excise Duty collections as simply and efficiently.