

CHAPTER I CENTRAL EXCISE RECEIPTS

1.1 Budget estimates, revised budget estimates and actual receipts

The budget estimates, revised estimates and actual receipts of central excise duties during the years 2004-05 to 2008-09 are exhibited in the following table and graph:-

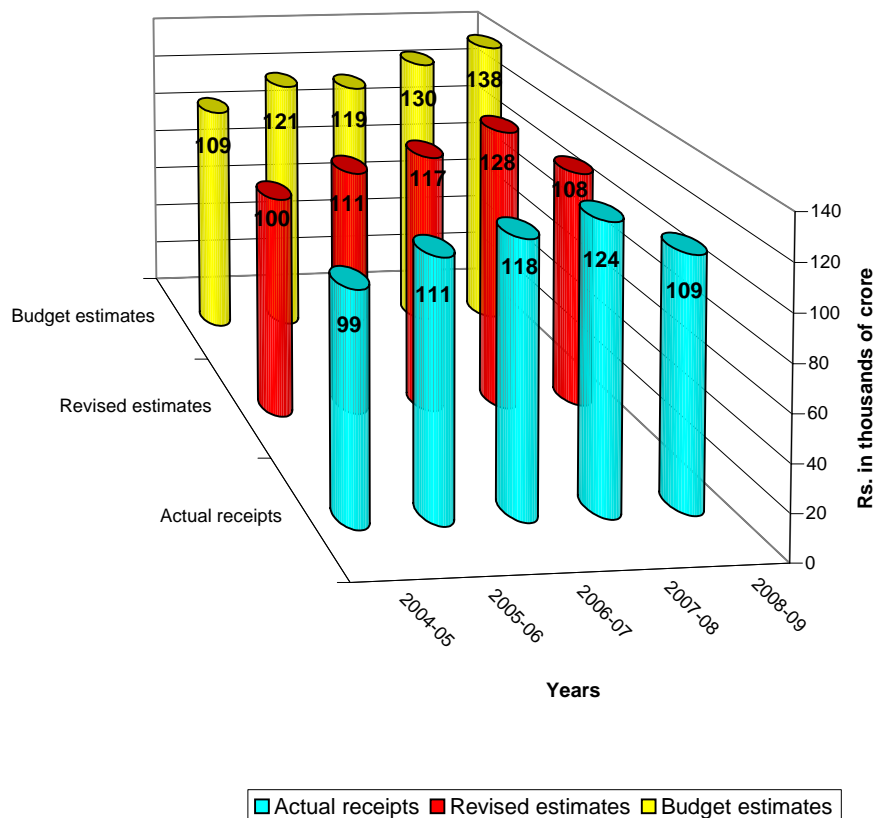
Table no. 1

(Amounts in crore of rupees)

Year	Budget estimates	Revised estimates	Actual receipts*	Difference between actual receipts and budget estimates	Percentage variation
2004-05	1,08,500	1,00,000	99,125	(-) 9,375	(-) 8.64
2005-06	1,20,768	1,11,006	1,11,226	(-) 9,542	(-) 7.90
2006-07	1,19,000	1,17,266	1,17,613	(-) 1,387	(-) 1.17
2007-08	1,30,220	1,27,947	1,23,611	(-) 6,609	(-) 5.07
2008-09	1,37,874	1,08,359	1,08,613	(-) 29,261	(-) 21.23

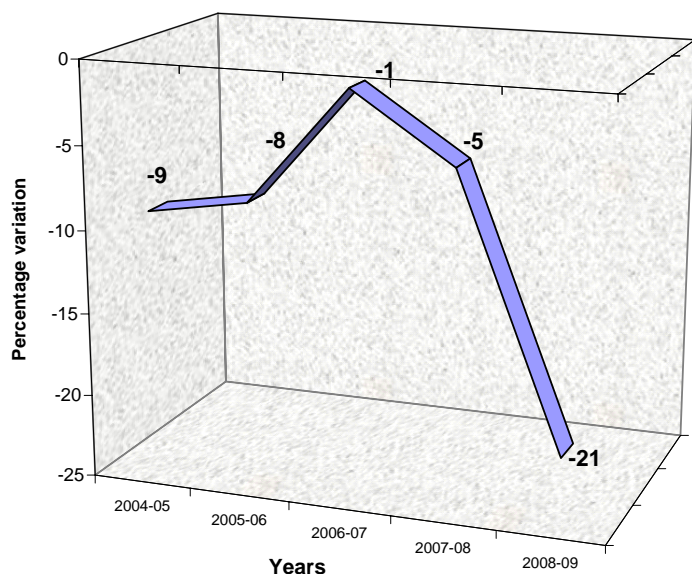
* Figures as per the Finance Accounts

Graph 1: Central Excise Receipts - Budget, Revised and Actual



While during the period 2004-05 to 2007-08 the variation between the actual collections and the budget estimates was within 10 per cent, this was significantly higher at 21.2 per cent during 2008-09. The percentage variation between the actual receipts and the budget estimates during the years 2004-05 to 2008-09 is depicted in the following graph: -

Graph 2: Percentage variation of actual receipts over budget estimates



1.2 Value of output vis-à-vis central excise receipts

The values of output** from the manufacturing sector vis-à-vis receipt of central excise duties through personal ledger account (cash collection) during the years 2004-05 to 2008-09 were as mentioned in the following table and graph:-

Table no. 2

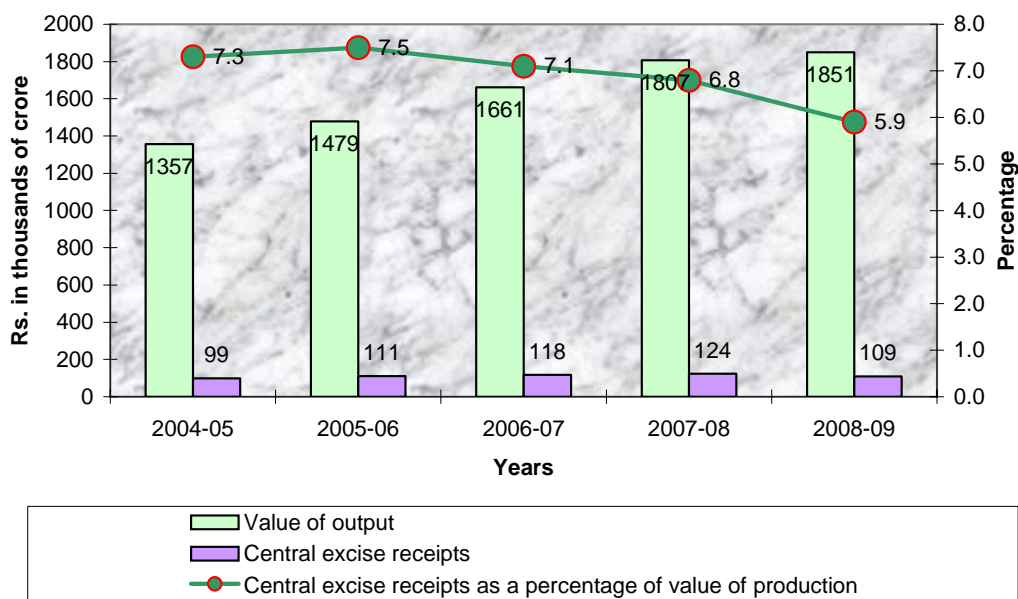
(Amounts in crore of rupees)

Year	Value of output*	Central excise receipts	Central excise receipts as a percentage of value of production
2004-05	13,57,191	99,125	7.30
2005-06	14,79,338	1,11,226	7.52
2006-07	16,61,297	1,17,613	7.08
2007-08	18,07,491	1,23,611	6.84
2008-09	18,50,871	1,08,613	5.87

* Estimated figure, Source: Central Statistical Organisation, Government of India.

**Includes value of all goods produced during the given period including net increase in work-in-progress and products for use on own account. Valuation is at producer's values that is the market price at the establishment of the producers. As separate figures of value of production by small scale industry units and for export production were not available, these have not been excluded from the value of output indicated.

Graph 3: Central excise receipts and value of production



The foregoing table reveals that value of output had increased by a factor of 1.36 during the years 2004-05 to 2008-09 and the corresponding increase in the central excise receipts was by a factor of 1.10. Accordingly, the central excise duties had generally kept steady pace with the value of output except for 2008-09 when there was a reduced growth in receipts compared to 2007-08.

1.3 Cost of collection

The expenditure incurred during the year 2008-09 in collecting central excise duty alongwith the corresponding figures for the preceding four years is given in the following table and graph:-

Table no. 3

(Amounts in crore of rupees)

Year	Receipts from excise duty		Expenditure on collection ^{\$}		Cost of collection as a percentage of receipts
	Amount	Percentage increase over the previous year	Amount*	Percentage increase over the previous year	
2004-05	99,125	9.20	825.90	10.03	0.83
2005-06	1,11,226	12.21	901.02	9.10	0.81
2006-07	1,17,613	5.74	974.49	8.15	0.83
2007-08	1,23,611	5.10	1,107.28	13.62	0.90
2008-09	1,08,613	(-) 12.14	1,650.27	49.04	1.52

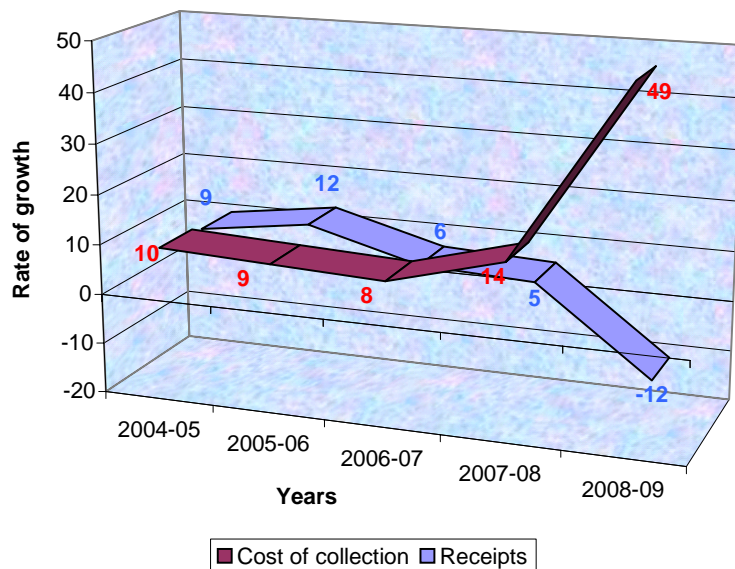
* Figures as per the Finance Accounts

\$ Expenditure figure include expenditure incurred for collection of service tax as separate figures for these are not maintained by the Ministry

While the receipts from excise duty fell down by 12.14 per cent, the expenditure on its collection had increased by 49.04 per cent in 2008-09 over

the previous year 2007-08. In fact, the cost of collection as a percentage of receipts which was fairly constant from 2004-05 to 2006-07, has shown a steadily increasing trend from 2007-08.

Graph 4: Percentage growth in central excise receipts and cost of collection



1.4 Outstanding demands

The number of cases and amounts involved in demands* for excise duty outstanding for adjudication/recovery as on 31 March 2008 and 31 March 2009 are mentioned in the following table:-

Table no. 4

(Amounts in crore of rupees)

Pending decision with	As on 31 March 2008				As on 31 March 2009			
	Number of cases		Amount		Number of cases		Amount	
	More than five years	Less than five years	More than five years	Less than five years	More than five years	Less than five years	More than five years	Less than five years
Adjudicating officers	165	11,097	112.91	11,264.78	311	13,048	32.74	11,811.85
Appellate Commissioners	367	5,380	48.66	883.53	354	6,982	262.61	1,725.56
Board	3	15	0.12	1.43	2	26	10.90	2.50
Government	19	61	6.49	45.46	70	272	58.43	99.85
Tribunals	1,373	8,309	460.41	10,662.59	1,779	8,671	3,172.03	15,969.04
High Courts	615	1,061	144.46	610.76	697	1,253	510.82	761.87
Supreme Court	77	127	21.67	269.12	129	212	2,350.34	938.84
Pending for coercive recovery measures	5,020	8,713	1,236.41	4,654.03	5,611	6,617	5,277.73	7,906.00
Total	7,639	34,763	2,031.13	28,391.70	8,953	37,081	11,675.60	39,215.51

* Figures furnished by the Ministry

A total of 46,034 cases involving duty of Rs. 50,891.11 crore were pending as on 31 March 2009 with different authorities, of which 29 per cent in terms of number were with the adjudicating officers of the department. Pendency with the department's adjudicating officers had increased from 11,262 in 2007-08 to 13,359 in 2008-09 i.e. an increase of 18.62 per cent.

1.5 Fraud/presumptive fraud cases

The position of fraud/presumptive fraud cases^{**} alongwith the action taken by the department against the defaulting assesseees during the period 2006-07 and 2008-09 is shown below:-

Table no. 5

(Amounts in crore of rupees)

Year	Cases detected		Demand of duty raised	Penalty imposed		Duty collected	Penalty collected	
	Number	Amount	Amount	Number	Amount	Amount	Number	Amount
2006-07	917	3,315.96	1,587.40	183	186.72	171.37	38	3.67
2007-08	1,021	950.88	775.63	292	137.59	157.98	105	0.93
2008-09	1,161	1,433.91	968.68	133	93.36	81.12	43	0.30
Total	3,099	5,700.75	3,331.71	608	417.67	410.47	186	4.90

** Figures furnished by the Ministry

The foregoing table indicates that while a total of 3,099 cases of fraud/presumptive fraud were detected during the years 2006-09 by the department involving duty of Rs. 5,700.75 crore, it raised a demand of Rs. 3,331.71 crore only and recovered Rs. 410.47 crore (12.32 per cent) out of it. Similarly, out of a penalty of Rs. 417.67 crore that was imposed, the department could recover only Rs. 4.90 crore (1.2 per cent).

1.6 Commodities contributing major revenue

Commodities which yielded revenue^{*} of more than Rs. 1,000 crore during 2008-09 alongwith corresponding figures for 2007-08 are mentioned in the following table:-

Table no. 6

(Amounts in crore of rupees)

Sl. No.	Budget head	Commodity	2007-08 (Actual)	2008-09 (Actual)	Percentage variation of actual over previous year	Percentage share in total collection
1.	36	Refined diesel oil	23,847.80	21,536.77	(-) 9.69	20.57
2.	34	Motor spirit	20,101.47	21,074.74	4.84	20.13
3.	102	Iron and steel	15,940.28	14,112.19	(-) 11.47	13.48
4.	40	All other mineral oils and products falling under chapter 27	13,178.80	13,472.49	2.23	12.87
5.	27	Cigarettes and cigarillos of tobacco or tobacco substitutes	8,152.49	9,310.24	14.20	8.89
6.	31	Cement	6,990.97	6,483.93	(-) 7.25	6.19

Sl. No.	Budget head	Commodity	2007-08 (Actual)	2008-09 (Actual)	Percentage variation of actual over previous year	Percentage share in total collection
7.	30	All other falling under chapter 24	943.65	2,584.95	173.93	2.47
8.	128	Motor cars and other motor vehicles for transport of persons	2,715.81	2,326.80	(-) 14.32	2.22
9.	119	All other machinery, articles and tools falling under chapter 84	4,359.94	2,282.63	(-) 47.69	2.18
10.	38	Furnace oil	1,984.82	2,135.33	7.58	2.04
11.	61	Plastic and articles thereof	2,537.01	2,075.78	(-) 18.18	1.98
12.	103	Articles of iron and steel	2,529.67	1,753.27	(-) 30.69	1.67
13.	130	All other motor vehicles including two wheelers	2,948.16	1,614.05	(-) 45.25	1.54
14.	17	Cane or beet sugar and chemically pure sucrose in solid form	1,205.87	1,455.58	20.71	1.39
15.	45	Organic chemicals	1,870.95	1,165.30	(-) 37.72	1.11
16.	60	Miscellaneous chemical products	1,365.62	1,097.59	(-) 19.63	1.05

* Figures furnished by the Ministry.

The above table reveals that in 10 out of 16 commodities, the collection of revenue during 2008-09 had gone down by 47.69 to 7.25 per cent. This could be due to reduction in general rate of duty from 16 to 14 per cent. A substantial dip in revenue was noticed in 'all other machinery, articles and tools falling under chapter 84' (- 47.69 per cent), 'all other motor vehicles including two wheelers' (- 45.25 per cent) and 'organic chemicals' (- 37.72 per cent).

1.7 Remission of revenue

Central excise duty remitted/abandoned* or written off due to various reasons for the years 2007-08 and 2008-09 is shown in the following table:-

Table no.7

(Amounts in crore of rupees)

		2007-08		2008-09	
		Number of cases	Amount	Number of cases	Amount
Remitted due to :					
(a)	Fire	7	1.20	2	0.09
(b)	Flood	4	0.89	3	0.20
(c)	Theft	0	0.00	0	0.00
(d)	Other reasons	529	3.90	397	0.42
Written off due to :					
(a)	Assessees having died leaving behind no assets	1	0.01	7	0.10
(b)	Assessees untraceable	114	6.97	88	4.70
(c)	Assessees left India	0	0.00	0	0.00
(d)	Assessees incapable of payment of duty	0	0.00	8	0.08
(e)	Other reasons	2	0.08	57	4.04
Total		657	13.05	562	9.63

* Figures furnished by the Ministry

1.8 Results of audit

This report contains 75 paragraphs, featured individually or grouped together, arising from test check of records maintained in departmental offices and premises of the manufacturers. The revenue implication of these paragraphs is Rs. 156.84 crore. The concerned Ministries/departments had accepted (till December 2009) audit observations in 41 paragraphs involving Rs. 48.30 crore and had recovered Rs. 27.59 crore.

1.9 Impact of audit reports

1.9.1 Revenue impact

During the last five years (including the current year's report), audit had pointed out short levy of central excise duty totalling Rs. 11,177.02 crore through 741 audit paragraphs. Of these, the Government had accepted audit observations in 508 audit paragraphs involving Rs. 2,823.96 crore and had recovered Rs. 194.47 crore. The details are shown in the following table:-

Table no. 8

(Amounts in crore of rupees)

Year of Audit Report	Paragraphs included		Paragraphs accepted						Recoveries effected					
			Pre printing		Post printing		Total		Pre printing		Post printing		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
2004-05	227	7,696.94	122	200.40	--	--	122	200.40	32	20.02	57	20.78	89	40.80
2005-06	124	1,410.39	89	1,315.73	9	10.27	98	1,326.00	35	25.97	29	19.94	64	45.91
2006-07	152	1,195.36	118	57.30	5	998.81	123	1,056.11	59	23.57	26	13.47	85	37.04
2007-08	163	717.49	104	156.27	20	36.88	124	193.15	41	43.13	--	--	41	43.13
2008-09	75	156.84	41	48.30	--	--	41	48.30	24	27.59	--	--	24	27.59
Grand Total	741	11,177.02	474	1,778.00	34	1,045.96	508	2,823.96	191	140.28	112	54.19	303	194.47

1.9.2 Amendment to Act/Rules

The Government had amended Act/Rules addressing the concerns raised by audit through audit reports. An important change made through budget 2009-10 is briefly mentioned in the following table:-

Table no. 9

Reference of audit report (AR) paragraph	Issue raised in audit	Amendment to Act/Rules etc.
Paragraph 6.1 of AR no. 7 of 2007	Items like MS plates, angles, channels, HR sheets, beams, strips, TMT bars, plates, cement, tyres and tubes etc., are general purpose items or structural items and also do not conform to definition of capital goods and hence availing of cenvat credit thereon was incorrect.	In explanation 2 below rule 2(k) of the Cenvat Credit Rules 2004, a clause has been inserted to exclude cement, angles, channels CTD bar, TMT bar and other items used for construction of factory shed, building or laying of foundation or making structures for support of capital goods {Notification No. 16/2009 - CE (NT) dated 7 July 2009}.

1.10 Follow-up on audit reports

Public Accounts Committee, in their Ninth Report (Eleventh Lok Sabha) desired that remedial/corrective action taken notes (ATNs) on all paragraphs of the Reports of the Comptroller and Auditor General, duly vetted by audit, be submitted to them within a period of four months from the date of the laying of the audit report in Parliament.

Review of outstanding action taken notes on paragraphs relating to central excise contained in earlier audit reports on indirect taxes indicated that the Ministries had not submitted remedial action taken notes on 70 paragraphs. The delay in response in these cases ranged from four months to sixty five months. Summarised position of outstanding action taken notes is depicted in the following table:-

Table no.10

No. of ATNs pending	Related audit paragraph and audit report	Name of the Ministry
5	12.1 of 11 of 2004, 17.2 of 7 of 2006, 15.2 of 7 of 2007, 8.2 of CA 7 of 2008 and 7.3 of CA 20 of 2009-10	Ministry of Commerce and Industry
1	8.1 of CA 7 of 2008	Ministry of Textiles
64	2.1, 2.2, 2.3, 2.4.1, 2.4.2, 2.5, 2.6, 2.7, 2.8 (DAP nos. 98, 104, 109, 143, 262, 305), 3.2.1, 3.2.2, 3.3, 3.4.1 (DAP nos. 22, 45, 63, 67, 84, 127, 151, 171, 197, 208, 292), 3.4.2, 3.4.3 (DAP nos. 106, 107, 108, 116, 149, 296, 335), 3.5.2, 3.5.3, 3.6, 3.8.1, 3.8.2, 3.8.3, 3.8.4, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14.1, 3.14.2, 3.15, 3.16.2, 3.17, 3.18 (DAP nos. 5, 46, 51, 58, 61, 73, 79, 92, 95, 105, 110, 111, 120, 122, 133, 141, 161, 168, 189, 233, 243, 256, 272, 345), 4.1.1, 4.2.1, 4.2.2, 4.2.3, 4.2.4, 4.3, 4.4, 4.5, 4.6, 4.7 (DAP nos. 21, 112), 5.1.1, 5.1.2, 5.2, 6.1.1, 6.1.2.1, 6.1.2.2 (DAP nos. 42, 43, 126, 129, 286, 313), 6.1.2.3, 6.1.2.4, 6.1.2.5, 6.2, 6.3.1, 6.3.2, 6.3.3, 6.3.4, 6.4.1, 6.4.2, 6.5 (DAP nos. 4, 65, 70, 76, 85, 87, 119, 180, 202, 204, 234, 295), 7.2, 8.1.1, 8.2, 8.3 of CA 20 of 2009-10	Ministry of Finance