

Chapter 1: Introduction

1.1 Background

Automation of Central Excise and Service Tax (ACES) is the e-governance initiative by Central Board of Excise and Customs (CBEC), Department of Revenue, Ministry of Finance. It is one of the Mission Mode Projects of the Government of India under National e-Governance Plan. It is a software application which aims at improving tax-payer services, transparency, accountability and efficiency in the indirect tax administration in India. This application is a web-based and workflow-based system that has automated all major procedures in Central Excise (CX) and Service Tax (ST).

The ACES application was initially rolled-out in the Large Tax Payer Unit (LTU) Commissionerate in Bengaluru in December 2008 and subsequently implemented across India in phases.

The objective of the initiative was to re-engineer the business processes and transform the existing tax administration into a modern, efficient, transparent system and to strike an optimal balance between trade facilitation and enforcement and to promote a culture of voluntary compliance. Further, it is to reduce physical interface of the assessee with the departmental officers and to provide a transparent and paper-less business environment with improved taxpayer services delivered through an automated process.

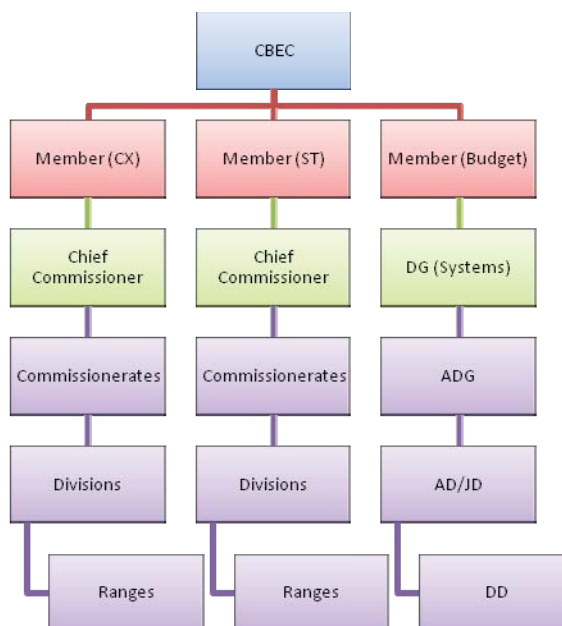
The ACES application has interface for CX and ST assesseees as well as Departmental Officers. It has provision to automate the major processes of CX and ST such as registration, returns, accounting, refunds, dispute settlement resolution, audit, provisional assessment, exports, claims, intimations and permissions.

1.2 Organisational set up

The CBEC, set up under the Central Boards of Revenue Act, 1963, is a part of the Department of Revenue under the Ministry of Finance, Government of India. It deals with the tasks of formulation of policy concerning levy and collection of Customs, CX duties and ST, prevention of smuggling and administration of matters relating to Customs, CX, ST and Narcotics. The Board is the administrative authority for its subordinate organisations, including Customs Houses, CX and ST Commissionerates and the Central Revenues Control Laboratory.

Office of the Directorate General of Systems and Data Management {(DG (Systems))} is an attached office of the CBEC which is responsible for design, development, programming, testing, implementation and maintenance of the ACES project. The Directorate is headed by Director General (Systems and Data Management) assisted by Additional Directors General at the headquarters. Similarly, at executive level, Chief Commissioners, CX and ST and their field formations are responsible for actual utilisation of ACES.

Chart 1



1.3 Structure and status of working of ACES

ACES application has been designed to function as centralised, web-based, workflow-based system to provide complete end-to-end solutions for covering major processes in CX and ST administration. Users can access ACES from <https://www.aces.gov.in> website and can choose between ST and CX options. ACES application for CX contains ten modules namely Access Control Logic (ACL), Registration, Return, Provisional Assessment, Claims and intimation (CLI), Dispute Settlement Resolution, Refund, Export, Audit and Report. Similarly, ACES contains eight modules for ST (except CLI and Export).

1.4 Why we chose this topic

As is evident from its introduction, ACES has far reaching effect on overall method of tax administration in India. It not only provides electronic means of indirect tax administration in the current tax environment, but it also lays foundation for future shape of tax collection and enforcement mechanism after implementation of GST. ACES is designed to help in realising revenues

in a fair, equitable and efficient manner while facilitating trade and industry by streamlining and simplifying CX and ST processes.

In such a scenario, we felt that an independent assessment of working of ACES was necessary to evaluate whether the system is designed in strict compliance to legal framework, contains correct features for encouraging taxpayers for voluntary compliance, simplifies procedures for taxpayers and departmental users and has the necessary flexibility and scalability to adapt quickly in ever changing environment.

1.5 Audit objectives

The performance audit was conducted to seek assurance whether the following objectives of ACES have been fulfilled:

- To re-engineer the business processes and turn the existing tax administration into a modern, efficient and transparent system;
- Replace manual filing and handling of paper documents by e-filing and e-processing respectively which would reduce physical interface of the business community with the departmental officers;

In addition to above, we also examined the extent of utilisation of various modules of ACES in the field formations of the Board.

1.6 Audit Scope and selection

During this Performance Audit, we selected and covered 40¹ out of 145 Commissionerates, 75 out of 737 divisions, 201 out of 3,649 ranges apart from DG (Systems). A questionnaire was circulated by email/post to 420 departmental users and 543 assesseees to obtain feedback from a representative sample of assesseees of CX and ST under the selected Ranges and departmental users in selected CDRs.

1.7 Audit coverage

During the Performance Audit, we examined the implementation and utilisation of ACES in Commissionerates, Divisions and Ranges from its inception i.e., December 2008 to June 2014. We also examined the records

¹ Ahmedabad (ST), Ahmedabad-II, Allahabad, Bengaluru (LTU), Bengaluru-I (ST), Bengaluru-I (CX), Bhopal, Bhubaneswar-II, Bolpur, Chandigarh-I, Chennai (LTU), Chennai-I (ST), Coimbatore, Delhi (LTU), Delhi-II (CX), Delhi-II (ST), Guwahati, Hyderabad-II, Hyderabad-IV, Indore, Jaipur-I, Kanpur, Cochin, Kolhapur, Kolkata-I (ST), Kolkata-III, Kolkata-I, Ludhiana, Mumbai (LTU), Mumbai-I (CX), Mumbai-I (ST), Patna, Puducherry, Pune-I, Raipur, Ranchi, Rohtak, Surat-II, Vadodara-II and Visakhapatnam-I

at DG (Systems) relating to development and implementation of ACES for the selected period.

1.8 Acknowledgement

We acknowledge the co-operation extended by CBEC and its subordinate formations in providing the necessary records for the conduct of this audit.

We discussed the audit objectives and scope of the performance audit in an entry conference with CBEC officers on 14 August 2014. We conducted the Exit Conference with CBEC on 13 October 2015.