

OVERVIEW

This report is presented in three sections:

Section 1	Chapters I to VIII	Central excise
Section 2	Chapters IX to XI	Service tax
Section 3	Chapters XII to XVII	Customs

The report has a total revenue implication of Rs. 1,396.37 crore flagged through 410 paragraphs. The Ministry/department have accepted, till November 2007, the audit observations in 329 paragraphs with a money value of Rs. 227.97 crore, of which Rs. 49.08 crore has been recovered. The audit contentions have, accordingly, been accepted in 80 per cent of the cases.

SECTION 1 - CENTRAL EXCISE

This section contains 152 paragraphs involving revenue implication totalling Rs. 1,195.36 crore. The Ministry/department have till November 2007 accepted the audit observations in 118 paragraphs involving revenue of Rs. 57.30 crore and reported recovery of Rs. 23.57 crore. Some of the significant findings included under the section are mentioned below.

Chapter I : Central excise receipts

- While central excise receipts had grown only by 43 per cent during the years 2002-03 to 2006-07, the growth in modvat/cenvat availed during the relevant period was much more at 143 per cent. Percentage of modvat/cenvat availed of to duty paid by cash increased constantly during the years 2002-03 to 2006-07. Modvat/cenvat credit availed of during 2006-07 was more than the duty paid through cash. One of the reasons for the excessive use of modvat/cenvat credit compared to duty payment by cash would be the misuse of the modvat/cenvat credit scheme. The incorrect use of this facility has been reported in chapter III of this report, in addition to a similar chapter in each years' audit report.

{Paragraph 1.3}

Chapter II : Mis-classification of duty and excisable goods

- Revenue of Rs. 936.14 crore was short allocated to the Central Government as duty was wrongly credited to the States as additional excise duty in lieu of sales tax.

{Paragraph 2.1}

- Incorrect classification of coconut hair oil cleared in pouches/containers of 5/100/200 ml as non-excisable 'edible oil' resulted in short realisation of duty of Rs. 45.88 lakh. There is a need for the Government to amend the Tariff appropriately.

{Paragraph 2.2.1}

Chapter III : Incorrect use of modvat/cenvat credit

- Cases of incorrect availing of modvat/cenvat credit on exempted goods or input materials/capital goods written off, availing of credit on ineligible goods or duties or cess, incorrect transfer of cenvat credit to the downstream manufacturers or buyers of exempted goods, availing of dual benefit, non-recovery of credit on goods destroyed in fire, etc. were noticed in audit. Duty involved in these cases was Rs. 111.88 crore.

{Paragraphs 3.1 to 3.11}

Chapter IV : Exemptions

- Duty amounting to Rs. 98.24 crore was short levied because of incorrect grant of exemptions.

{Paragraphs 4.1 to 4.4}

Chapter V : Non-levy of duty

- Duty amounting to Rs. 20.39 crore was not levied on excisable goods found short or capital goods cleared as scrap or goods cleared without payment of duty in time.

{Paragraphs 5.1 to 5.4}

Chapter VI : Valuation of excisable goods

- Instances of undervaluation due to incorrect adoption of transaction value or assessable value, incorrect valuation of goods on cost basis, incorrect valuation of samples meant for free distribution etc. were noticed. Duty levied short amounted to Rs. 18.96 crore.

{Paragraphs 6.1 to 6.6}

Chapter VII : Non-levy of interest and penalty

- Interest and penalty of Rs. 4.89 crore was not levied in cases of delayed payment of duty or short payment of duty or utilisation of cenvat credit in excess of the admissible limit.

{Paragraphs 7.1 to 7.5}

Chapter VIII : Cess not collected

- Cess amounting to Rs. 4.12 crore was not collected from the manufacturers of textile articles, textile machinery and cement.

{Paragraphs 8.1 to 8.3}

SECTION 2 - SERVICE TAX

This section contains 125 paragraphs with revenue implication totalling Rs. 79.02 crore. The Ministry/department have accepted, till November 2007, the audit observations in 117 paragraphs involving revenue of Rs. 65.49 crore and reported recovery of Rs. 18.19 crore. Significant findings of audit included under the section are summarised below.

Chapter IX : Service tax receipts

- 17,426 cases involving service tax of Rs. 1,780.04 crore were pending demand as on 31 March 2007. Of these, 10,552 cases (61 per cent) were pending with the departmental officers.

{Paragraph 9.3}

Chapter X : Incorrect assessment of service tax

- Instances of non-levy of service tax, incorrect grant of exemption from service tax, short payment of service tax, non-raising of demand or non-recovery of service tax, etc. were noticed in a few cases test checked. Service tax involved in these cases was Rs. 50.30 crore.

{Paragraphs 10.1 to 10.8}

Chapter XI : Grant of cenvat credit

- A few cases of incorrect availing of cenvat credit of service tax including its subsequent inappropriate use were noticed in audit. Tax implication in these cases was Rs. 28.72 crore.

{Paragraphs 11.1 to 11.7}

SECTION 3 - CUSTOMS

This section contains 133 paragraphs with revenue implication totalling Rs. 121.99 crore. The Ministry/department have, till November 2007, accepted the audit observations in 94 paragraphs involving revenue of Rs. 105.18 crore and reported recovery of Rs. 7.32 crore. Some of the important findings included under the section are highlighted below.

Chapter XII : Customs receipts

- Duty foregone under the various export promotion schemes during the year 2006-07 was Rs. 66,368 crore which was 77 per cent of the total customs receipts.

{Paragraph 12.4.1}

- Customs revenue of Rs. 2,555.37 crore was not realised by the department at the end of financial year 2006-07. Of this, an amount of Rs. 292.40 crore was not recovered for over ten years, despite being not disputed.

{Paragraph 12.7.2}

Chapter XIII : Incorrect assessment of customs duties

- Incorrect assessment of customs duty totalling Rs. 58.36 crore was detected in audit in a few cases. These arose mainly due to re-warehousing certificates not being received, short levy of anti-dumping duty, excess payment of drawback, non-levy of NCCD, adoption of incorrect assessable value, etc.

{Paragraphs 13.1 to 13.14}

Chapter XIV : Duty exemption schemes

- Revenue of Rs. 35.98 crore was due from exporters/importers who had availed the benefits of the duty exemption schemes but had not fulfilled the prescribed obligations.

{Paragraphs 14.1 to 14.5}

Chapter XV : Short levy due to incorrect exemptions

- Duty of Rs. 16.84 crore was short levied on account of extending the benefit of exemption notifications, incorrectly.

{Paragraphs 15.1 to 15.4}

Chapter XVI : Short levy due to incorrect classification

- Duty of Rs. 7.47 crore was short levied due to misclassification of goods in a few cases.

{Paragraphs 16.1 to 16.8}

Chapter XVII : Non-levy/short levy of additional duty

- Non-levy/short levy of additional duties totalling Rs. 1.74 crore was noticed in goods imported by 75 importers.

{Paragraphs 17.1 to 17.3}