

## Executive Summary

This Report contains 239 audit observations pertaining to Central Excise duties and Service Tax, having a total revenue implication totalling ₹ 569.55 crore. The Ministry/department had, till May 2013, accepted audit observations involving revenue of ₹ 565.72 crore and reported recovery of ₹ 109.30 crore. Significant findings are as follows;

### Chapter I: Central Excise and Service Tax Revenues

- Indirect tax revenues as a percentage of Gross domestic product decreased from 5.24 per cent in FY03 to 4.38 per cent in FY12. During the same period, Central Excise revenues (PLA) as a percentage of GDP declined from 3.25 in FY03 to 1.61 in FY12 and Service Tax revenues as a percentage of GDP rose to 1.09 from 0.16.

(Paragraphs 1.6, 1.8 and 1.11)

- Revenues foregone on account of Central Excise exemptions continued during FY12. Exemptions under section 5A(1) of the Central Excise Act amounted to ₹ 1,95,590 crore (₹ 1,79,453 crore in general exemptions and ₹ 16,137 crore in area based exemptions) i.e. 135 per cent of the revenues from Central Excise.

(Paragraph 1.40)

- Cases involving Central Excise duty of ₹ 54,172.65 crore were pending as on 31 March 2012 with different authorities for adjudication/final decision ; the figure in respect of Service Tax was even higher at ₹ 73,274.74 crore.

(Paragraphs 1.70 and 1.72)

- Nearly 50 per cent of Service Tax assesseees paying revenue over ₹ 1 crore annually and due for audit by the Central Excise and Service Tax department remained unaudited during 2011-12.

(Paragraph 1.87)

- 634 audit paragraphs involving Central Excise duty totalling ₹ 1,429.42 crore were reported during the last 5 years (including the current year's report). The Government had accepted audit observations in 502 audit paragraphs involving ₹ 533.08 crore and had recovered ₹ 185.09 crore.

(Paragraph 1.96)

- 858 audit paragraphs involving Service Tax totalling ₹ 1,519.42 crore were reported during the last 5 years (including the current year's report). The Government had accepted audit observations in 793 audit paragraphs involving ₹ 1,208.26 crore and had recovered ₹ 353.85 crore.

(Paragraph 1.97)

## **Chapter II: Non-compliance with Rules and Regulations**

- We observed instances of incorrect availing/utilisation of cenvat credit, short payment of duty/tax and non-payment of interest on delayed payments involving revenue implication of ₹ 61.44 crore and ₹ 478.04 crore in Central Excise and Service Tax respectively.

(Paragraphs 2.1 and 2.13)

## **Chapter III: Effectiveness of Internal Control**

- We observed, inter alia, instances of deficiencies, in scrutiny and internal audit process, ineffective call book review, and non-recovery of Government dues by departmental officers. Duty/tax involved was ₹ 30.07 crore.

(Paragraphs 3.2 and 3.21)