

## Executive Summary

The Central Excise collection was ₹ 1,89,038 crore during financial year 2014-15 (FY15) and accounted for 34.61 per cent of Indirect Tax revenue in FY15. Indirect Tax collection has fallen as a ratio of GDP while as a ratio of Gross Tax revenue, it has increased in FY 15 vis-a-vis FY14.

This Report has 64 audit observations on Central Excise duties, having financial implication of ₹ 147.87 crore. The Ministry/Department had, till December 2015, accepted audit observations involving revenue of ₹ 135.85 crore and reported recovery of ₹ 27.95 crore. Some significant findings are as follows:

### Chapter I: Department of Revenue – Central Excise

- Central Excise revenue has shown 11.56 per cent growth in FY15 compared to FY14. (Paragraphs 1.7)
- During FY15, increase in Central Excise duty on petrol and high speed diesel resulted not only in increase of Central Excise collection from petroleum sector but also led to overall growth of Central Excise. Except Petroleum products and plastic, revenue growth in other sectors is either stagnant or negative. (Paragraph 1.8)
- Revenue forgone for FY15 in respect of Excise duties was ₹ 1,84,764 crore (₹ 1,77,680 crore as general exemptions and ₹ 17,284 crore as area based exemptions) which is 97.74 per cent of revenue from Central Excise. (Paragraph 1.11)
- Huge amount of Central Excise revenue amounting to ₹ 81,538 crore is blocked in appeals. The amount is increasing every year. Despite, a number of measures initiated by the Board, locking up of such a large revenue is a matter of concern.

(Paragraph 1.18)

### Chapter II: Central Excise Exemptions for SSI units

- Less than 50 per cent of the assesseees registered as SSI units in the selected ranges are actually availing the benefit of the SSI exemption. SSI manufacturer of intermediate goods is not benefited out of the scheme.

(Paragraph 2.5)

- In 11 cases, excess availing of SSI exemption amounting to ₹ 1.83 crore was noticed.

(Paragraph 2.7.2)

### Chapter III : Functioning of Director General of Audit and its zonal units

- Annual report published by DG (Audit) for the years 2011-12 and 2012-13 had

discrepancies in figures compared to Quality Assurance Review (QAR) reports, doubting the correctness of published data.

(Paragraph 3.6.6).

- During 2011-12 and 2012-13, 22 and 29 Commissionerates in respect of Central Excise and 18 and 21 Commissionerates in respect of Service Tax were downgraded vis-a-vis previous year grading, showing drop in performance of internal audit.

(Paragraph 3.6.10)

#### **Chapter IV: Tax Accounting and Reconciliation in Central Excise, Service Tax and Customs**

- In 41 Commissionerates (Central Excise), 39 Commissionerates (Service Tax) and nine Commissionerates (Customs), no reconciliation was being done and consequently revenue of ₹ 2,36,295 crore, ₹ 3,01,436 crore and ₹ 82,224 crore respectively, pertaining to these Commissionerate, remained unreconciled for the period 2011-12 to 2013-14.

(Paragraph 4.2.1.1(i), 4.4.1.1(i) and 4.6.1.1)

- Revision of interest rate, at which interest is collected from banks for delayed remittance of Government revenue, was not carried out by Pr CCA, CBEC as and when bank rate was revised by RBI and interest was being calculated by the system from 13 February 2012 onwards at reduced rate.

(Paragraph 4.2.4(a))

#### **Chapter V: Issue of Show Cause Notice and Adjudication process**

- SCN invoking extended period on incorrect grounds in contravention of statute resulted in SCNs being time barred in the adjudication in 20 cases involving revenue of ₹ 4.40 crore.

(Paragraph 5.5.1)

- In eight cases involving revenue of ₹ 2.28 crore, SCN were issued late which may lead to demands get time barred.
- Cases kept in call book were not being reviewed and 121 cases having monetary implication of ₹ 29.76 crore were kept in Call Book wrongly.

(Paragraph 5.5.2) Paragraph (5.9.2)

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

- We observed 26 cases of irregular availing and utilisation of Cenvat credit, non/short payment of Central Excise duty involving revenue of ₹ 98.79 crore.

Paragraph (6.1)

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

- We observed 34 instances of deficiencies in internal audit carried out by departmental officials and other issues involving revenue of ₹ 32.76 crore.

Paragraph (7.2)