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**ESTIMATES COMMITTEE  
1958-59**

**FIFTY-SEVENTH REPORT  
(SECOND LOK SABHA)**

**MINISTRY OF FINANCE  
(Department of Revenue)  
CENTRAL EXCISE DEPARTMENT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1959.*

*Vaisakha, 1881 (Saka)*

*Price Re 1.00*

## C O R R I G E N D A

Fifty-seventh Report of the E.C. (Second Lok Sabha) on the Ministry of Finance - Central Excise Department. . .

Page (ii) Appendix V line 2 for 'of penalties'  
read 'or penalties'.

Page 22, para 47, line 3, for Rs.0:50 read  
Rs.0.50.

Page 27, para 62, line 7, for 'with at in U.K.'  
read 'with that in U.K.'

Page 30, at the head of the Table under comparative  
percentage for Col.3x100 read col.Ix100  
Col.3 col.3.

Page 50, in the heading of the Appendix III, line 2  
for 'collection on' read 'collection of'.

Page 51, item No.9, line 6, for 'eve though'  
read 'even though'.

Page 54, item No.26, last word for 'machines'  
read 'matches'.

Page 54, item No.27, line 5, for 'anomoly'  
read 'anomaly'.

Page 58, serial No.4, line 10, for 'to early'  
read 'too early'.

Page 69, in para B, line 2, Delete No.18.

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1958-59**

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Shri A. R. Shirali—*Deputy Secretary.*

Shri R. K. A. Subrahmanya—*Under Secretary*

## INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Fifty-seventh Report on the Ministry of Finance (Department of Revenue)—Central Excise Department.

The Committee wish to express their thanks to the Chairman, Central Board of Revenue and other Officers of the Department of Revenue for placing before them the material and information that they wanted in connection with the examination of the estimates. They also wish to express their thanks to the representatives of the various non-official bodies who submitted memoranda to the Committee and also tendered evidence before them.

NEW DELHI;

BALVANTRAY G. MEHTA,

The 27th April, 1959.  
Vaisakha 7, 1881 (Saka).

Chairman,  
Estimates Committee.

## I

## INTRODUCTORY

Duties on Central Excise constitute an important and expanding source of revenue to the Government of India as is evident from the following statement which gives the revenue derived under the various major tax heads in different years:

(Revenue in crores of Rupees).

Year	Total revenue	Revenue from Customs	Percentage of total revenue	Taxes on income	Percentage of total revenue	Revenue from Central Excise	Percentage of total revenue
*1921-22	80	31.61	39.5	18.74	23.4	2.8	3.5
*1938-39	82.9	40.51	48.9	13.74	16.6	8.66	10.5
*1944-45	334.40	39.77	11.9	80.52	24.1	38.14	11.4
*1953-54	394.34	160.00	40.6	69.31	17.6	78.0	19.8
**1957-58	615.53	179.99	29.2	146.40	23.7	273.62	44.4
**1958-59 (Revised)	603.13	136.00	22.5	142.70	23.6	301.15	49.9
**1959-60 (Budget)	607.45	130.00	21.4	146.38	24.1	307.00	50.5

Thus, Central Excise which was a comparatively minor source of revenue in 1921-22 has grown to be the largest source of revenue in 1958-59.

2. The main reason for the rise in the revenue from Central Excise is the widening of the scope of excise duties to cover new commodities as well as increases therein. Prior to 1934 excise duties were levied only on motor spirit (introduced in 1917), kerosene (introduced in 1922) and silver (introduced in 1930). Duties were imposed on sugar, matches and steel ingots in 1934. The duty on tobacco was imposed in 1943. In the following year coffee and tea and betelnuts were brought in the excise tariff. The duty on betelnut was, however, abolished with effect from 1st March, 1948. The excise tariff was extended to mill-made cloth in 1949 and to art silk, cement, soap and footwear in 1954. The various excise duties at

\*Source : Taxation Enquiry Commission Report, 1953-54 (Vol. I, p. 23).

\*\*Source : Explanatory Memorandum to the Budget, 1959-60 (Page No. 37).

present levied by the Government of India and the revenue estimated to be derived therefrom in 1958-59 are as follows:

Basic Duties	1958-59 (Revised) (in lakhs of Rs.)
Motor spirit	32,29
Kerosene	4,20
Sugar	46,00
Matches	17,70
Steel Ingots	7,00
Tyres & Tubes	6,80
Tobacco	41,91
Vegetable Products	3,96
Coffee	1,20
Tea	6,20
Cotton Cloth	42,66
Artificial Silk	80
Cement	13,83
Footwear	1,05
Soap	1,85
Woollen Fabrics	62
Electric Fans	48
Electric Bulbs	30
Electric Batteries	85
Paper	6,50
Paints and Varnishes	1,22
Vegetable Non-essential Oils	8,60
Refined Diesel Oils and Vapourising Oils	8,74
Industrial Fuel Oils	4,45
Rayon and Synthetic Fibres and Yarn	1,32
Motor Cars	16
Coal Cess	3,00

Basic Duties	1958-59 (Revised) (In lakhs of Rs.)
Cess on Copra . . . . .	7
Cess on Oils and Oil-seeds . . . . .	23
Miscellaneous . . . . .	51
<b>TOTAL—GROSS REVENUE</b> . . . . .	<b>2,64.50</b>
<i>Deduct</i> —Refunds & Drawbacks . . . . .	4.50
<b>TOTAL—NET REVENUE</b> . . . . .	<b>2,60.00</b>
<b>Additional Duties</b>	
Sugar. . . . .	12,86
Textiles . . . . .	21,19
Tobacco . . . . .	7,10
<b>TOTAL</b> . . . . .	<b>41,15</b>
<b>GRAND TOTAL—UNION EXCISE DUTIES</b> . . . . .	<b>3,01,15</b>

## II

### ORGANISATION

#### **A. Historical**

3. Until 1938, the administration of the Central Excise duties was left in the hands of the provincial Governments as the commodities which were subject to excise duties were few and these were also produced in a few definite localities. With the growth of industries and the extension of the field of taxation the need for a central organisation was felt. In 1938, the Department of Central Excises was added to the existing Salt Department under the Central Government. The Salt Department was, however, separated from the Central Excise Organisation after the Salt duty was withdrawn in 1947. At present, the Central Excise Department functions under the overall charge of the Member (Excise) of the Central Board of Revenue, who is responsible to Government through the Chairman, Central Board of Revenue and Secretary, Department of Revenue, for its administration.

#### **B. Collectorates**

4. In 1938, the Central Excise Department had three administrative units for the whole of British India. They were located at Bombay, Madras and Delhi, each under a Collector. At present there are eleven Collectorates. The following statement shows the names of the Collectorates, their headquarters and their jurisdiction:

Collectorates	Headquarters	Jurisdiction
Delhi . . .	Delhi . . .	Jammu & Kashmir, Punjab, Himachal Pradesh, Rajasthan and Delhi.
Allahabad . . .	Allahabad . . .	Uttar Pradesh.
Patna . . .	Patna . . .	Bihar.
Calcutta . . .	Calcutta . . .	West Bengal and Orissa.
Shillong . . .	Shillong . . .	Assam, Tripura and Manipur.
Nagpur . . .	Nagpur . . .	Madhya Pradesh and Vidarbha (8 districts of Bombay State)
Baroda . . .	Baroda . . .	Saurashtra, Kutch and Gujarat (17 Revenue districts of Bombay).

Collectorates	Headquarters	Jurisdiction
Hyderabad	Hyderabad	Andhra Pradesh.
Madras	Madras	Madras and Kerala.
Mysore	Bangalore	Mysore State.
Bombay	Bombay.	Bombay State (less 25 Revenue districts under Nagpur and Baroda).

5. *The Committee observe wide variation in the size and jurisdiction of the different Collectorates.* Thus, the Delhi Collectorate extends over the States of Punjab, Rajasthan, Jammu and Kashmir and the two Union territories—Himachal Pradesh and Delhi, comprising an area of about 2 lakh square miles with a population of about 23 millions. This Collectorate is also responsible for the administration and control of the Land Customs frontiers with Pakistan extending over 1300 miles. The Bombay Collectorate besides, being responsible for collection of the excise duties over a large part of the present Bombay State is responsible for the administration of land customs on the Goa frontier and sea customs in the minor ports falling within its area. The Collector of Central Excise, Bombay is also the ex-officio Director of Lighthouses, Bombay District, Bombay, for the purpose of the administration of the Indian Lighthouses Act, 1927. He also looks after the administration of the Bombay Minor Ports Fund and the Landing and Wharfage Fees Fund on behalf of the Government of Bombay. On the other hand, there are Collectorates like Patna and Mysore with a single State jurisdiction and without other responsibilities like those of Bombay and Delhi Collectorates.

6. During evidence the representatives of the Department of Revenue stated that the jurisdiction of a collectorate would depend on a number of factors such as revenue potential, quantum of work, etc., and that in the light of these, *the jurisdiction of the Collectorates was being continually adjusted.* They also stated that they were aware that the jurisdiction of Bombay and Delhi Collectorates had become unwieldy and that they were, therefore, considering the possibility of posting one or more Deputy Collectors in these Collectorates so as to give relief to the Collector. *The Committee, however, feel that such piecemeal adjustments do not really solve the problem because connected with the problem of jurisdiction is another problem relating to the size of the Collectorates which necessitates the problem to be examined more comprehensively.*

7. The following statement shows the size of the various collectorates in terms of divisions, circles and ranges comprising them:

Collectorates	Divi-sions	Circles	Ranges	Staff employed
Allahabad	7	29	165	2464
Bombay	7	32	154	5391
Calcutta	8*	33*	166	3821
Delhi	5*	25*	127	2779
Madras	7	32*	250	3708
Shillong	3	14	135	1563
Baroda	6	28	166	3388
Hyderabad	8	35	217	2864
Mysore	4	16	138	1529
Nagpur	3	15	117	1290
Patna	3	16	124	1351
<b>TOTAL</b>	<b>61</b>	<b>275</b>	<b>1759</b>	<b>30148</b>

8. It would appear from the foregoing statement that the number of Divisions, Circles and Ranges comprising a Collectorate varies from 3 to 8 in the case of Divisions, 14 to 35 in the case of Circles and 117 to 250 in the case of Ranges. Even among those Collectorates which have the same number of Divisions the number of Circles and Ranges vary.

9. During evidence the representatives of the Department agreed that there were anomalies in the organisation of the Collectorates and that there was need for a re-organisation. The first step in that direction was stated to be to work out yardsticks for the primary formations and to determine the size of the primary structure. The Committee were informed that the Department was trying to work out such yardsticks and that the question regarding the supervisory structure would be considered after the structure of the primary formations had been determined. While the Committee are glad that the need for the reorganisation of the Collectorates has been recognised and that it has been started at the level of primary formations which form the base of the structure, they feel that since

\*Inclusive of Land Customs Divisions and Circles.

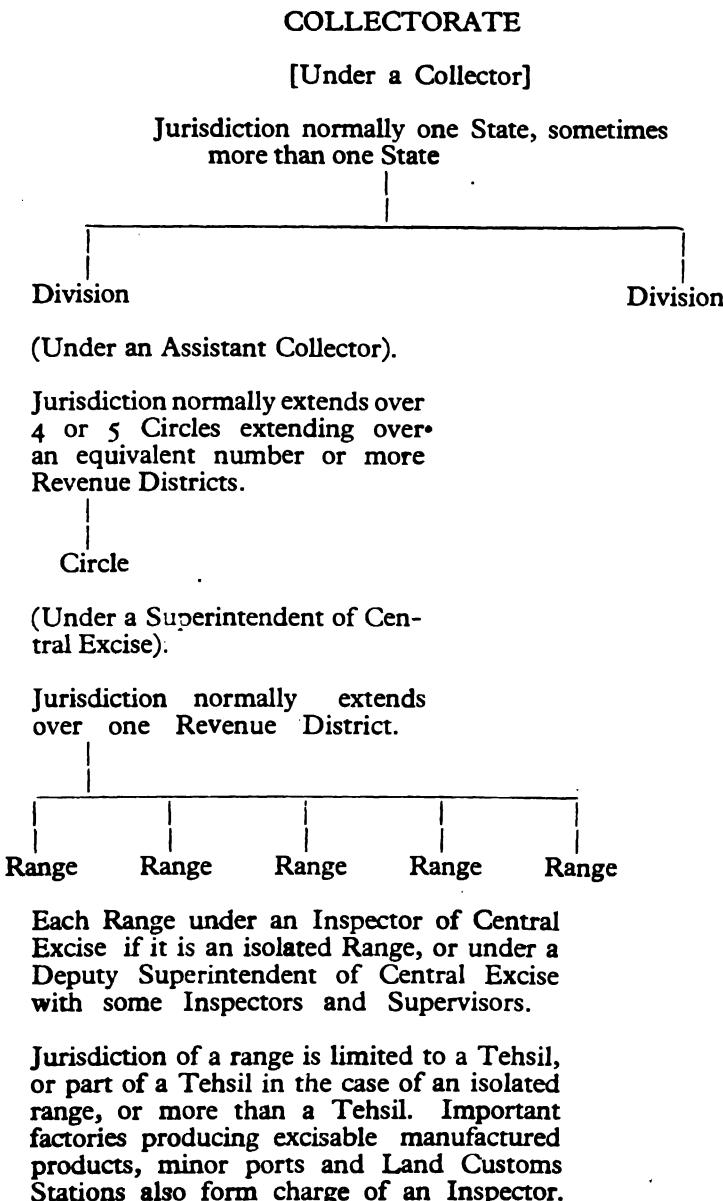
*the efficiency and the cost of the administration depend largely on the soundness of the organisation, the question of the re-organisation of the Collectorates should be examined comprehensively and on priority basis.*

10. In this connection, a view was expressed before a Study Group of the Committee that as the Baroda Collectorate was dealing mostly with excise duty on cloth produced in Ahmedabad, the headquarters of the Collectorate should more appropriately be located at Ahmedabad than at Baroda. During evidence the representatives of the Department explained that the headquarters of the Collectorate had been located at Baroda because of the availability of office accommodation. It was also pointed out that it was not necessary for the headquarters of a collectorate to be located at the place where its work was concentrated because the work was to be done by the field staff and the location of the headquarters would not affect it in any way. *The Committee, however, recommend that while considering the re-organisation of the Collectorates, the Department may also examine the question of appropriate location of the headquarters of the re-organised Collectorates.*

11. It is observed from the statement given in para 7 that *the staff employed in the different Collectorates varies widely and is also not proportionate to the number of Ranges comprising them.* Thus, while the staff employed in the Hyderabad Collectorate with 8 Divisions, 35 Circles and 217 Ranges is 2864, the staff employed in Baroda Collectorate with 6 Divisions, 28 Circles and 166 Ranges is 3388. Again, while the staff employed in Calcutta Collectorate with 8 Divisions, 33 Circles and 166 Ranges is 3821, the staff employed in Bombay Collectorate with 7 Divisions, 32 Circles and 154 Ranges, is 5391. *In this connection, the Committee were informed that the Directorate of Inspection had recently undertaken a major job analysis for evaluating the clerical workload in each Circle office and Divisional office and also in respect of field work and executive jobs required to be done in the basic formations.* It was also stated that it was expected that the analysis would give the most up-to-date and accurate yardsticks for working out the staff requirements and also serve as a basis for proper distribution of work load in ranges, circles, etc. *The Committee feel that it is none too early that such an analysis has been undertaken and hope that it will be completed and given effect to as early as possible.*

### C. The Multiple Officers Range Scheme

12. The organisational structure of Central Excise Collectorate prior to 1956 was as follows:



13. In 1956, a new scheme known as the Multiple Officers Range Scheme was introduced for improving the administration of Central Excise on tobacco. Until then, the administration of tobacco duty was organised on a territorial basis without reference to the intensi-

ty of work. The result was that while 85 per cent. of the total tobacco cultivation was concentrated in 25 districts covering an area of about one lakh sq. miles and the remaining 15 per cent was scattered over the remaining part of the country, only 30 per cent. of the staff was employed to control the concentrated tobacco growing areas and the rest was employed in sparse growing areas. The new scheme was introduced in order to rationalise the employment of staff. The scheme envisaged relaxation of control over the sparse growing areas, withdrawal of staff from there and their concentration in areas where tobacco was grown on large scale. While a normal range would be in charge of an Inspector, a normal M.O.R. would be in charge of a Deputy Superintendent assisted by four to six inspectors and about four to six supervisors.

14. Several advantages have been claimed for the Scheme, which is also stated to have been very successful. *The Committee welcome the Scheme in so far as it tends to reduce the cost of administration in areas where revenue yield is low. They, however, doubt whether it is essential to deploy the entire staff withdrawn from the areas where tobacco is grown sparsely in areas where it is grown on large scale, which were managed with lesser staff before the introduction of the M. O. R. Scheme. They also doubt, whether the increase in revenue due to the deployment of more staff in such areas would be proportionate to or even commensurate with the increase in expenditure. The Committee, therefore, recommend that the requirements of staff in the various tobacco growing areas may be carefully assessed by adoption of suitable work-study methods and the possibility of reducing the staff considered.*

15. The Committee understand that the M. O. R. Scheme which was originally introduced only in the case of tobacco has since been extended to other unmanufactured as well as manufactured commodities subject to excise duty. The Committee cannot help feeling some doubt how far a scheme envisaged for the administration of duty on an unmanufactured product would suit the administration of duties on manufactured products. They fear that the net effect of extending the M.O.R. Scheme to all the duties might be ultimately to enlarge the staff employed in the Ranges and to increase the expenditure thereon. The Committee, therefore, recommend that the working of the M. O. R. Scheme may be urgently reviewed with particular reference to its suitability for manufactured products and also its effect on the cost of administration of the Department.

16. It has been pointed out to the Committee that the M. O. R. Scheme is defective in the following respects:

- (a) The scheme does not appear to have been instituted to suit the places where large quantities of tobacco change hands from ryots to buyers as M. O. R. officers are concentrated in areas where more revenue accrues.
- (b) Easy access to officers is impossible as they tour ranges only once a week.

- (c) Decentralisation of M. O. R. officers is essential in areas where transport facilities are especially bad.
- (d) Range-officers should be authorized to issue T. P. 3s and more frequent visits to villages by Range Officers will improve the system.
- (e) From the point of view of oil-milling industry the M.O.R. Scheme is found unworkable as after the introduction of the Scheme no personnel of the Excise Department is left in rural areas to look to supervision and clearance work of the oil-milling industry. Similar opinion has been expressed with respect to collection of Match Excise also.
- (f) Under the Scheme, officers are expected to handle different kinds of industry and trade with all of which they may not be adequately acquainted and this is causing inconvenience.

*The Committee suggest that the foregoing points may be examined and suitable steps taken to remedy the defects, if any.*

#### **D. Customs Work**

17. While the main functions of the Central Excise Department relate to the administration and collection of Central Excise duties imposed on various commodities, it is also entrusted with the following functions:—

- (a) Customs work at minor port;
- (b) Land Customs;
- (c) Customs airport work in respect of places other than those which are near the headquarters of the Collectorate of Customs at the principal ports.

It would appear that except at the principal ports of Bombay, Calcutta, Madras and Cochin, most of the customs work is done by the Central Excise Department on behalf of the Customs Department. The extent of such work can be gauged from the fact that out of the total expenditure of Rs. 3,96,57,000 estimated to be incurred by the Customs Department in the year 1959-60, a sum of Rs. 2,04,66,000 is intended to be paid to the Central Excise Department for the customs work (Vide Demand No. 22).

18. The Committee were informed that the reasons for entrusting the Land Customs work to the Central Excise Department were:—

- (i) The Central Excise Organisation has already officers of various grades deployed at or near the Land Customs frontier engaged on Central Excise work. It is considered both expedient and economical to entrust the administration of this long frontier to the Central Excise Department instead of the Collectors of Customs whose jurisdictions and administrative machinery are

confined to the major ports which are located far away from these frontiers; and

(ii) The Central Excise Organisation has a separate Department of Land Customs manned by officers on scales of pay similar to the Inspectors, Sub-Inspectors and Sepoys of the Central Excise Department. If Land Customs work was to be done by Customs Department, the preventive officers of which generally enjoy higher scales of pay, it would mean that a large number of men would have to be stationed practically continuously in small, remote, often unhealthy and insecure localities in the border areas. The advantage of continuing the Land Customs work to be done by the Central Excise Department lies in the fact that it is possible to inter-change manpower between these border locations and other places which provide better facilities for family life.

19. *The Committee cannot help feeling that considerations which hold good with respect to the allotment of Land Customs work to the Central Excise Department, hold good equally in the case of other kinds of customs work which could also be entrusted to the Central Excise Department for the same reasons.* In this connection, it is noteworthy that in U.K. the Customs and Excise duties are considered to be complementary to one another and are, therefore, administered by a common organisation. In India also the Directorate of Revenue Intelligence, the Directorate of Statistics and Intelligence, and the Directorate of Inspection are common to Customs and Excise Departments. During evidence the representatives of the Department stated that the question of amalgamating the two Departments to a limited extent was already under the consideration of Government and that an amalgamation was within the realm of possibility. *The Committee feel that it would be advantageous if the two Departments are amalgamated and rationalised so as to avoid duplication of establishments. Such an amalgamation the Committee feel might also enable the staff in the two departments to be employed more effectively and economically. They recommend that the question be carefully examined.*

#### E. Cadres and Grades

20. A statement showing the sanctioned strength of permanent and temporary posts in the various Central Excise Collectortates, Directorate of Revenue Intelligence, Directorate of Inspection (Customs and Central Excise) and Statistics and Intelligence Branch (Central Excise) as on 1st April, 1958, is given at Appendix I. It is observed from the statement that the employees of the Department belong to 65 different grades. When this question was discussed with the representatives of the Ministry, the Committee were informed that most of the employees belonged to about twelve major cadres and the rest were isolated posts. It was also explained that the existence of so many grades was partly due to the fact that the organisation comprised of different kinds of establishments such as the Headquarters establishment of the Central Board of Revenue, the Directorates, the Collectortates and the field staff of Central Excise and Customs. The Committee were, also, informed that the

Pay Commission was considering the question of grades and scales generally. No specific suggestion to this effect has been made by the C. B. R., who, however, believe that it is possible that the Commission may *suo-motu* recommend rationalising the number of grades and scales of pay. The Committee feel that the existence of a large number of grades tends to make the administration of the Department unnecessarily complex, creating problems of seniority, promotion, etc. resulting in disappointment and discontent among the employees. Much of the time and energy of the Senior Officers of the Department would be taken up by these problems, diverting them from the more important problems relating to tax collection. The Committee, therefore, consider it desirable that the number of grades of the employees should be reduced. They feel that even if there is need to have different categories of employees for dealing with different kinds of work they may be classified into a few standard groups carrying uniform scales of pay with common seniority for purpose of promotion etc. The Committee recommended that suitable steps may be taken in this direction at an early date.

21. The following statement shows the number of Steno-typists and Head Clerks employed in the various Collectorates:

Collectorates	Steno-typists		Head Clerks	
	as on I-4-56	as on I-4-58	as on I-4-56	as on I-4-58
Allahabad	6	45	19	42
Bombay	7	56	24	58
Baroda	7	43	16	45
Calcutta	8	57	25	60
Delhi	9	43	15	38
Hyderabad	10	50	17	45
Madras	10	50	23	53
Mysore	..	26	..	23
Nagpur	5	23	10	23
Patna	4	25	9	24
Shillong	3	21	11	22
<b>TOTAL</b>	<b>69</b>	<b>439</b>	<b>169</b>	<b>433</b>

22. The Committee were informed that the variations in the cadre of Steno-typists were due to the fact that in September, 1956, orders were issued providing one Steno-typist for each circle, besides one Steno-typist for each Circle Officer at the Collectorate Headquarters. The increase in the number of Head Clerks was stated to be due to the fact that every Circle was ordered to be provided with one Head Clerk in June, 1956. These orders resulted in the total increase of 370 Steno-typists carrying the scale of pay of Rs. 60—130 plus S. P. 20 and 264 Head Clerks carrying the scale of pay Rs. 160—280. These orders involve an additional cost of over Rs. 1 lakh per month on average.

23. The Committee doubt, if it was necessary to issue blanket orders creating so many new posts and involving so much additional cost without regard to the actual requirements in each case. They also doubt, whether every person who is a Gazetted Officer in the Headquarters of a Collectorate would require the services of a Steno-typist merely because he is a Gazetted Officer. They fear that many of the persons appointed under these orders might not be having adequate work. They, therefore, suggest that the orders under which every Gazetted Officer in the Collectorate Headquarters is provided with a Steno-typist and every Circle is provided with a Steno-typist and a Head Clerk may be reviewed and the desirability of withdrawing those orders and authorising the Collectors to sanction the posts where required on the merits of each case, considered.

#### F. Regional Advisory Committee

24. With a view to associate the public with the administration of the Department, Regional Advisory Committees for tobacco were constituted in various Collectorates in the year 1955. In 1957 similar but separate Committees were appointed in respect of manufactured products. At present, two Regional Advisory Committees are functioning—one for unmanufactured excisable commodities and another for manufactured excisable items—in each Central Excise Collectorate. During evidence the representatives of the Department informed the Committee that while the Customs Advisory Committees had been working successfully the Advisory Committees for Central Excise were still in a formative stage and the Department had not had much experience of the working of the Committees. However, certain non-official representatives of trade and industry whom the Committee met, gave them to understand that the Regional Advisory Committees had not been working very well.

25. In this connection, the Committee understand that the procedure for the appointment of members representing the interests of trade and industry to the Central Excise Advisory Committees is that the Department obtains a panel of names from representative associations and nominates the persons from the respective panels. The Committee were given to understand that this was one of the reasons why the Advisory Committees had not been functioning well. It was urged that the representatives should be permitted to be nominated directly by the respective associations as in the case of Customs Advisory Committee. The Committee fail to see

why the procedure in this respect should differ between the Customs and Excise Departments and why the associations should not be allowed to nominate their representatives to the Central Excise Committees also directly.

26. It has been represented to the Committee that the representation of Tobacco growers on the concerned Regional Advisory Committees is inadequate. The Committee recommend, that the question be examined by Government in consultation with representative associations of tobacco growers.

27. The Committee observe, that the functions of the Advisory Committees are purely advisory and they are intended mainly for resolving procedural difficulties of the trade of a general nature. These Committees are not to concern themselves with matters such as:

- I. matters of policy;
- II. individual cases of grievances;
- III. individual cases involving the exercise of statutory functions by Central Excise Officers connected with the adjudication of offences and the consideration of appeals; and
- IV. Complaints against individual Central Excise Officers.

28. The Committee observe, that the functions of the Advisory Committees have been expressed in negative terms. Further, the Committee fail to see why it is necessary to limit the scope of the Advisory Committees which function only in an advisory capacity. They feel, that so long as the powers of final decision rest with the Government there is no harm in allowing the Advisory Committees to discuss any matter, including the policy behind individual cases, but excluding individual cases themselves, as also judicial and semi-judicial work. On the other hand, it would enable the department to feel the sense of the public with regard to its policies so that if there is scope for improvement therein, it could be considered.

29. The Advisory Committees are required to meet once in three months. They may meet oftener if the Collectors so decide. The Committee were, however, given to understand that the Advisory Committees were not meeting regularly, mainly, because of want of attendance. One of the reasons for the thin and irregular attendance was stated to be that the meetings were always held in cities and the representatives living in the mofussil areas found it difficult to attend them. During evidence the Chairman of the Central Board of Revenue conceded that the thin attendance might be due to this reason. If so, the Committee do not see why the meetings of the Advisory Committees should not be held, occasionally, in different mofussil areas to suit the convenience of the members of those areas.

30. Considering the various factors mentioned above, the Committee are not surprised that the Advisory Committees have not evoked popular interest and have not achieved concrete results.

*They, therefore, suggest that in order that the Advisory Committees may grow into effective instruments of public co-operation, the Department may undertake a thorough review of the working of the Advisory Committees and on the basis of it take suitable steps to enthuse them into useful activity.*

31. In this connection, the Committee understand that Parliament and State Legislatures are not represented on the Advisory Committees, unless some representatives of trade who are members of the Advisory Committees also happen to be Members of Parliament or a Legislature. *The Committee suggest, that while reviewing the working of the Advisory Committees, the feasibility of associating M. Ps. and M. L. As. therein may also be considered.*

32. The Committee further feel, that it would be advantageous if similar Advisory Committees are set up at the national and local levels so as to associate public opinion with the administration. *The Committee have already recommended in para 47 of their 49th Report that there should be a Central Advisory Council to advise the Central Board of Revenue in regard to various duties, including excise duties. They recommend, that the desirability of setting up Advisory Committees below the level of the Collectorate, might also be considered.*

### III

## ASSESSMENT, LEVY AND COLLECTION

### A Procedures

33. For purposes of assessment and collection of excise duty, excisable goods have been divided into two categories, *viz.*, unmanufactured products, namely, tobacco, coffee, etc., and manufactured products like cotton-fabrics, sugar, etc.

#### (i) *Unmanufactured products*

34. The procedure in respect of unmanufactured products is broadly as follows:—

- (i) The growers have to make a declaration of the land on which it is proposed to grow the excisable products. The plots of land are measured by the excise staff. The growers are also required to declare the quantity of the products grown at the harvest time.
- (ii) Every curer has to obtain a license for curing. The curers are required to furnish returns of the quantities actually cured by them. As soon as the products are cured, they have to be cleared, either on payment of duty or by transfer to private or public bonded warehouse.
- (iii) All those who deal in unmanufactured tobacco, *i.e.*, wholesale and retail dealers, brokers, commission agents, manufacturers of tobacco products and owners of bonded warehouses, are licensed and are required to maintain accounts.
- (iv) Persons licensed to keep warehouses are required to execute bonds.
- (v) The movement of unmanufactured tobacco is subject to transport permits.
- (vi) The unmanufactured tobacco is weighed by the excise staff at several stages.

35. It would thus appear that the excise control over unmanufactured products is very extensive. Despite all these checks, the Committee understand, that there is scope for evasion in the administration of duty on tobacco. Besides, all these checks require the maintenance of large field staff. The Committee understand, that the procedure was examined by the Taxation Enquiry Commission and the Expert Committee on tobacco, but that as a result of their recommendations the checks exercised by the Department have become more intensive. It is worth consideration whether all these checks do not make the process more cumbersome without

corresponding gain. The Committee, therefore, feel that the scope for the simplification of the procedures needs to be examined. They suggest, that for this purpose a study may be made of the procedures obtaining in other countries where duties on similar commodities are levied and the ways and means of improving the existing system explored.

36. In this connection, it has been represented to the Committee that the present procedures of administration of duty on tobacco cause inconvenience and hardship to the growers and curers. These are discussed below:—

(i) In certain areas growers of tobacco are also curers thereof. Under the rules they are required to maintain a number of records with regard to the tobacco grown and handled by them. These are: the Growers Entry Book, the Curers Entry Book and Register for Curers Private Bonded Stores Room. Besides, they had also to maintain some kind of transport permit forms for transport of non-duty-paid tobacco from the curing premises to the place of storage. The Committee understand, that where the growers are also the curers the maintenance of the Growers Entry Book and the Curers Entry Book involved certain amount of duplication. The registers also contained many columns and many particulars were required to be recorded therein. Consequently, it was represented that the growers of tobacco, who were generally illiterate found the maintenance and completion of those registers, difficult and complicated and also caused inconvenience. The Committee, therefore, suggest that the feasibility of simplifying the records to be maintained may be considered.

(ii) In order to verify the records maintained by the growers with regard to the area of the fields under tobacco cultivation the rules provide for measurement of the plots. In one case the Collector has issued orders that there should be 100 per cent measurement of plots. It was represented to the Committee that such measurements when the crops had come up would cause damage to the crops. Similarly, the tobacco produce of the land are also required to be weighed at several stages. It was represented that frequent handling of the tobacco for weighment was also likely to cause damage to it. During evidence it was explained by the representative of the Ministry that instructions had been issued that in the process of verification and measurement utmost care should be taken to prevent undue damage. With regard to the weighment procedure it was stated in a note furnished to the Committee as follows:—

“Specific duty is based on weight. Warehousing operations mean postponement of actual duty till the actual time of clearance. This, extends to five years. Sometimes it passes through several hands as between warehouse and warehouse involving further determination of losses whether by transit or storage. Although under the M.O.R. scheme attempt is made to resort to the maximum weighment at the first, namely, growing or curing stage, subsequent weighments at the time of actual

removal or between different warehousing points cannot altogether be avoided, specially as tobacco is a hygroscopic substance and liable to constant fluctuation—both loss or gain of weights. Moreover, main safety lies in test checking by surprise, actual quantities kept in warehouses of which the sole custodian is the assessee himself. Unless, therefore, warehousing is largely eliminated, repeated weighments cannot altogether be avoided. One of the features of the revised tobacco tariff has been an inducement to pay duty at an earlier stage and mix tobacco of different tariff categories after payment, in dutypaid premises. This, by itself, eliminates to some extent the need for repeated weighments as also adjudication of losses.

It was further stated during evidence that it was not the intention of the rules that weighment should be done every time 100 per cent. The Committee, however, feel that while the Department is entitled to take adequate steps to safeguard revenue they should not in that process cause loss or damage to the tax payers. They, therefore, suggest that the scope for simplification of the procedure in this respect, be examined.

In this connection, the Committee also suggest that in order to avoid weighment of tobacco at different stages the feasibility of working out on a scientific basis an average ratio or percentage of losses that is likely to occur in storage depending on the weather conditions may be considered.

(iii) The Committee understand that the tobacco growers do not at present have adequate warehousing facilities for storing the tobacco in bond. They have to make arrangements to keep it in their own bonded store rooms. As the houses in which the growers would be living would not be very large, conversion of a portion thereof into bonded store rooms deprive them of space for their own living. For this reason they have often to dispose of the tobacco in a hurry.

The Committee find that the difficulties of the present warehousing arrangements were discussed in the Collectors' Conference held in June, 1956. It was recognised during the Conference that in order to meet the difficulties it would be desirable to develop public bonded warehouses to provide accommodation to curers to deposit their tobacco pending sale to wholesale dealers. But it was felt that in the existing system under which tobacco cultivation was financed by wholesale dealers themselves, a scheme of public bonded warehouses was not likely to prove popular or useful unless the Government was also prepared to take up the financing of tobacco cultivation. The Committee were later informed that the Government did not envisage financing tobacco cultivation. They, however, feel that in order to free the growers and curers from any possible hold of the wholesale dealers it might be desirable to organise public bonded warehouses in those areas where tobacco is grown on large scale. As the Central Excise Department is much interested in tobacco, the Committee suggest that that Department

might take up the question of setting up such warehouses with the Department of Agriculture and the Central Warehousing Corporation. The Department might also encourage formation of co-operative societies of Tobacco growers to construct and run the warehouses required by them.

(ii) *Manufactured Products*

37. The general procedure of assessment and collection of duty on manufactured goods is as follows:—

- (i) The manufacturers are required to declare the premises and to obtain a licence. They are also required to enter into bond with the Department for payment of duty.
- (ii) Excise supervision is exercised from the stage the raw materials are obtained till the excisable goods are manufactured and cleared from the factory.
- (iii) The manufacturers have to maintain appropriate accounts in respect of the goods manufactured and make periodical returns to the Departments.
- (iv) Goods are allowed to be cleared from the factory only after verification of the goods by the excise officer and on payment of the duty.

38. The Committee were informed that the above pattern was based on the administrative pattern of controlling production in the U.K. They understand, however, that in the U.K. while the excise authorities have the right to inspect the premises actual assessment is made on the basis of returns furnished by the assessees. On the other hand, in India, assessment is made on the basis of physical verification of goods at the time of clearance. Besides, close watch is kept over the various stages of production. A note which was furnished to the Committee by the Department and which describes the various checks exercised by the Excise Department over cement, which is itself a highly organised industry, is given in Appendix II to illustrate this position.

39. It has been pointed out to the Committee that under the present procedure of supervision over the production and clearance of dutiable articles a large number of excise staff are posted in each factory. The necessity of employing so much staff on this work was also questioned. The Committee enquired from the Department whether the possibility of adopting a simplified procedure of collecting the duties had been considered. In reply the Department stated as follows:—

“The question of simplified procedure for levy and collection of duties has been considered from time to time. Even the Taxation Enquiry Commission went into the matter but came to the conclusion that under the conditions existing in India, today, physical control seems inescapable. The goods themselves form the principal security for the duty in respect of commodity taxation.”

not only in this country but in many other countries. In fact, we had tried to introduce on an experimental basis, the simplified audit-type of procedure in respect of cement and steel but we had to give it up because of increase in duties and the fear that the technique of audit was not yet appropriate for Indian conditions as they exist today. It is, however, believed that the evolution must be on the lines of control by audit type of checks but we cannot obviously proceed too fast both in the interest of revenue and consequential repercussions on manpower availability and employment potential."

40. While the Committee recognise the need for taking reasonable precautions to safeguard revenue they are not satisfied that it is essential to maintain large establishment to exercise close physical supervision over various stages of production. In this connection, they find the following observations made by an officer of the Department in his report on his deputation to U.K. for training:

"The collection (in U.K.) is mostly on the basis of the returns furnished by the assessees. This is another illustration of the British practice of accepting generally the assessees' statements. Even in the case of direct taxation also, there is the provision of finalising assessments by "Compromise". This is possible because the taxing authorities believe, and perhaps believe rightly, that most of the assessees are quite honest and keen on paying the dues to the State. As a matter of fact, the key note of the British tariff system, of the British banking system, and for that matter of so many other things is "trust and confidence" in the honesty of the British public. We have yet to build up this tradition in our country; a beginning has yet to be made. Possibly there is risk in this, but nevertheless, the risk is worth taking".

41. The Committee feel that trust and confidence are essential ingredients of public administration in a democracy and that it is necessary as much in revenue administration as anywhere else. They, therefore, suggest that the Department should initiate such steps as would promote that spirit among the tax-paying public. They recommend, that a beginning may be made at an early date to evolve what the Department itself considers to be the right lines of control, that is, to introduce audit type of checks in place of the existing physical control over the production of excisable articles.

42. In this connection, it has also been represented to the Committee that—

- (i) the procedure at present followed by the Department in respect of collection of duty on cigarettes is vexatious and harassing to the manufacturers.
- (ii) certain procedures are 'followed in the administration of excise (on cement) which do not seem apparent from

the provisions of the Act or the rules made thereunder, which are not warranted by exigencies of circumstances and which smack of complete distrust of public honesty and which are calculated to cause an undue harassment'.

- (iii) the sugar factories are experiencing difficulties in complying with some provisions of the rules.
- (iv) the excise staff posted in cement, cigarettes, and vegetable oil factories are excessive.

A number of suggestions for making changes in the existing procedures were also made to the Committee. A list of such suggestions is given in Appendix III.

43. *The Committee suggest that all these points may be examined by the Department in consultation with the representative associations of the respective industries concerned or with the Central Advisory Council, the setting up of which has been recommended in the Committee's Forty-ninth Report.*

#### B. Information called for at the time of assessment

44. Under the Central Excises and Salt Act 1944 and Rules framed thereunder, obligatory provisions have been made for assessees to keep records of excisable commodities and to submit certain periodical returns to the Department in the prescribed manner for facility of the Department in making the assessment of the excise duty. In this connection, it was represented to the Committee that even when the factories were required to keep certain records under the excise Rules, for the purpose of assessment of duty, the Department was frequently asking for additional *ad hoc* information from the manufacturers and that this was often causing harassment and inconvenience to the trade. When this matter was discussed with the representatives of the Ministry, they agreed that where information could be gathered from the records and returns submitted to the Department, the manufacturers should not be asked to furnish the same again. *The Committee suggest that the Department should take steps to see that inconvenience is not caused to the tax-payers in calling for ad-hoc information from time to time.*

#### C. Co-ordination among Collectortates

45. A Study Group of Members of the Committee were given to understand during their discussion with the representatives of trade and industry that there were cases of different interpretations of the law even in regard to certain similar problems among the different Collectortates of Central Excise, possibly for want of co-ordination among them. When the Committee enquired from the Department what measures had been taken to ensure co-ordination and uniformity in the administration of excise law they were informed as follows:

It was accepted that with so many Collectors functioning in distant jurisdictions trying to interpret the law there was likely to be, in the short run, diversity in interpre-

tation of law. There were, however, certain safeguards. Every time a new law was introduced, instructions were issued in great details as to how the law was to be interpreted. It was further explained during the visits of the Excise Member to the Collectorates. There were also appeals on all points of dispute. Besides, on all points of difficulty involving an interpretation of law the Collector's orders were taken, whereupon, Standing Orders were issued for regulating future cases on the basis of the Collector's orders. Every such Standing Order issued by the Collector was sent to the Directorate of Inspection for review. Besides, the Director of Inspection checked a few actual cases disposed of in the various Collectorates to ensure that there was uniformity.

46. *Judging from the complaints heard by them, the Committee cannot help feeling, that the measures taken so far to ensure uniformity are not adequate. They, therefore, suggest that the representatives of trade and industry may be provided suitable opportunities to point out instances of lack of uniformity so that timely action may be taken to rectify the anomalies. In this matter, the Committee's suggestions to set up a Central Advisory Council vide para 47 of their Forty-Ninth Report and to activise the Regional Advisory Committees vide para 30 above are particularly relevant.*

#### **D. Special Problems of Certain Excises**

##### **(i) Duty on unmanufactured tobacco**

47. While the duty on tobacco used for making *biris* is Rs. 1.20 per lb. inclusive of additional excise duty, the duty on non-*biri*-tobacco is only Rs. 0.50 per lb. It was represented to the Committee that the existence of the difference between the two rates had hit the dealers of *biri* tobacco hard for the following reasons:—

- (i) Due to the duty on non-*biri* tobacco being very low there was a great attraction and increasing tendency to use it clandestinely in making *biris*.
- (ii) This tendency had raised the prices of non-*biri* tobacco and the prices of *biri* tobacco had gradually gone down. It was stated that there was at present little difference between the prices of *biri* and non-*biri* tobacco.
- (iii) The incidence of the duty on *biri* tobacco *ad-valorem* was therefore much higher than on non-*biri* tobacco.
- (iv) The two kinds of tobacco were not clearly distinguishable. The different rates of duty had given room to various kinds of mal-practices and corruption in the Department resulting in large scale evasion of duty and loss of revenue to Government.

48. During evidence, the representatives of the Department stated that from the beginning the policy was to make the burden of the

duty equitable and that was why a distinction was drawn between chewing tobacco, snuff tobacco and *biri* tobacco. The last item belonged to a higher category and it always fetched a higher price. They did not agree that there was at present no difference between the prices of *biri* and non-*biri* tobacco. They, however, agreed that if the position was as it was stated to be, the rates of duty would have to be re-considered.

49. A statement furnished by the Department of Revenue showing the normal prices of different kinds of unmanufactured tobacco in different forms and *ad valorem* incidence of duty is given below:—

Name or variety	Wholesale Price per Md.		Duty per Md.	<i>Ad valorem</i> incidence (%)	
	Maxi-mum	Mini-mum		At maxi-mum price	At mini-mum price
<i>Nicotiana Tabacum</i> :	Rs.	Rs.	Rs.		
(a) Whole leaf varieties :					
1. Twist . . .	165	100	41	24.8	41
2. Bundles . . .	100	55	41	41	74.5
3. Bunches & Hanks	90	80	41	45.7	51.2
(b) Broken leaf :					
1. Superior . . .	220	125	98.40	44.7	78.7
2. Inferior . . .	130	50	98.40	75.7	196.8
<i>Nicotiana Rustica</i> :					
(a) Broken leaf . . .	180	110	98.40	54.6	89.5
(b) Whole leaf :					
1. Ropes & Coils	60	56	41	68.3	73.2
2. Others . . .	160	125	41	25.6	32.8
<i>V. F. C.</i> :					
Redried strips . . .	3 per lb.	2.50 per lb.	7.8 per lb. 1/- per lb.	234.0 33.3%	300.0 40%

The foregoing statement seems to corroborate the representation made to the Committee that there is little difference between the prices of *biri* tobacco (broken leaf) and non-*biri* tobacco (whole leaf). In fact, in some respects the whole leaf price appears to be higher than the price of broken leaf. The statement also bears out the fact that the *ad valorem* incidence of the duty on *biri* tobacco is higher than on non-*biri* tobacco. While the incidence of duty on non-*biri* tobacco ranges from 25 to 74 per cent., the incidence on *biri* tobacco ranges from 44 to 196.80 per cent. The scope for malpractices and evasion of duty, therefore, seems apparent.

50. The Committee recommend that the entire matter may be carefully reviewed especially in the light of the allegation that there is at present a large-scale evasion of excise duty on tobacco.

(ii) *Excise on Cloth*

51. It was represented to the Committee that the administration of the excise duty on cloth had placed the manufacturers producing grey cloth exclusively and independent processing works at a disadvantage as compared to composite mills producing grey cloth and also processing it. It was explained that the manufacturers of grey cloth exclusively and the independent processing works had to pay duty on the total quantity of grey cloth produced or utilised by them while the composite mills could derive the benefit of shrinkage and damages in the course of processing and pay duty only on the net quantity of cloth utilised in the finished products.

52. When the matter was referred to the Department, the Committee were informed, that there would not be much shrinkage in processing cloth and no provision had been made in the rules therefor. However, as the processing units had the option to purchase duty-paid cloth or non-duty paid cloth in bond they could derive the relief, on account of shrinkage, if any, by purchasing the non-duty-paid cloth in bond. Similarly, the manufacturers of grey cloth were also given the option to pay duty at the grey stage itself or get the processing done in bond and pay duty at the finished stage. Where duty was to be paid at the finished stage it would be payable on the shrunk cloth exclusive of damaged fabrics. Where, however, duty was paid at the grey stage itself relief could be derived in respect of the element of differential duty payable on the processed cloth. It was also stated that in order to give benefit particularly to the smaller processing factories which processed duty-paid fabrics, relief had been granted by way of exempting the first 50,000 sq. yards of cotton fabrics cleared by them in a month for home consumption and that this allowance should more than cover any possible loss through shrinkage.

53. Nevertheless, the Committee, suggest, that in view of the feeling among the manufacturers of grey cloth and among the independent processing units the position vis-a-vis the composite mills may be carefully reviewed in consultation with the representatives of the industry to remove to the extent possible the grounds for hardship, if any.

(iii) *Excise on Matches*

(a) *Size of Matches*

54. It has been represented to the Committee that the recent orders of the Government allowing manufacture of matches of the sizes of 30s, 40s, 50s and 60s had caused unhealthy competition among the hand-made match industry. As the Government had declined to give rebate to the new sizes, the utility of the new sizes was also very much doubted. Again, as there was no stipulation in regard to the size of the sticks or boxes, in each category two or more sizes were being manufactured. As a result it was stated that the manufacturer had to stock splints and veneers in about ten sizes

and the Government had to supply banderols in 4 categories corresponding to the excise duty applicable in each case. Due to these reasons the industry was stated to be suffering very much.

55. When this matter was referred to Government it was stated that the trend of production of the different sizes of match boxes and the effect on revenue were being reviewed from time to time in consultation with the Ministry of Commerce and Industry and whatever action was considered necessary would be taken in due course. *The Committee would, however, suggest that the basis on which the sizes of match boxes have been prescribed at present may be reviewed in the light of the representation referred to above and action taken to ensure that the interests of the cottage and handicraft match industry do not suffer.*

#### (b) Sales Tax

56. The Committee understand that the basis and the rates at which sales tax on matches is levied vary from State to State. While in Madras State, sales tax is levied at 2 per cent on the turnover excluding excise duty, it is levied at 5 per cent. in Andhra and in other States, sales tax is levied on the gross turn over. The Central Sales Tax is also levied on the gross turn over including the Excise duty. It has been represented that these inconsistencies have proved to be a great harassment to the match industry and the trade. It has, therefore, been suggested that the multi-point sales tax may be merged in the Central Excise duty and collected at the source from the manufacturers as in the case of tobacco, sugar and mill-cloth. It has been claimed that such a step would give great relief to the manufacturers and the dealers besides reducing clerical work and eliminating evasions.

57. During their discussion with the representatives of the Department on this point the Committee were informed that there might be some difficulties in the acceptance of this suggestion because the industry was not evenly distributed throughout the country and was concentrated in cottage form mainly in the South and in the larger units located in North India. The problems of the industry also differed from place to place. It was also stated that if the Department of Economic Affairs so decided in consultation with the State Government, the Department of Revenue would not have any difficulty to give effect to the suggestion. *The Committee suggest that the matter may be examined in consultation with the Department of Economic Affairs.*

#### (iv) Cigarettes

58. Section 4 of the Central Excises and Salt Act, 1944, states that where an article is chargeable to duty at a rate depending on the value of the article such value is deemed to be:

- (a) the wholesale cash price for which an article of the like kind and quality is sold or is capable of being sold at the time of the removal of the article chargeable with duty from the factory or any other premises of manufacturer or production for delivery at the place of

manufacture or production, or if a wholesale market does not exist for such article at such place, at the nearest place where such market exists, or

(b) where such price is not ascertainable, the price at which an article of the like kind and quality is sold or is capable of being sold by the manufacturer or producer, or his agent, at the time of the removal of the article chargeable with duty from such factory or other premises for delivery at the place of manufacture or production, or if such article is not sold or is not capable of being sold at such place, at any other place nearest thereto.

(*Explanation.—In determining the price of any article under this section, no abatement or deduction is allowed except in respect of trade discount and the amount of duty payable at the time of the removal of the article chargeable with duty from the factory or other premises aforesaid.*)

59. In this connection, it has been represented to the Committee that the duty is often levied on the basis of the market prices which have no relationship to the prices at which the manufacturers sell the products. When this matter was discussed with the representatives of the Department they admitted that in order to determine the value for purposes of assessment of duty on cigarettes it was the practice to work backward from the market price. The Committee were further given to understand that the price at which the manufacturers sold cigarettes to the distributors included an element of discount which was a variable factor. As admission of a higher rate of discount than ruling in the market would tend to reduce the value for purposes of the duty, it was necessary to determine the rate of discount that would be admitted by reference to the market price. It was also considered that for determining the value for assessment of duty the prices at which an independent seller would sell cigarettes to an independent buyer would have to be considered. It seemed to be the view that for this purpose the price at which the manufacturers sold their products to the distributors, could not be regarded as final proof of the value of the products.

60. The Committee understand that the procedure followed by the Department for determining the value of the cigarettes for purposes of excise duty by reference to the ruling market price has been objected to. In this connection, it has been brought to their notice that a suit has been filed against the Government in the Calcutta High Court by a Company questioning the validity of the procedure and complaining against the loss and inconvenience caused to it by adopting that procedure. The Committee suggest that the feasibility of working out standard rates of discount that may be allowed on the prices may be considered so that the rate of duty chargeable may be determined reasonably and definitely, instead of its being left always vague and indefinite.

### E. Cost of Collection

61. The following statement shows the revenue realised from Customs and Excise duties and the cost of collection thereof.

(In lakhs of rupees).

Year	Revenue from Customs	Revenue from Excise	Total Revenue from Customs & Excise	Cost of collection	Percentage cost to total revenue
1948-49	1,26,16	50,63	1,76,79	4,07	2.3
1949-50	1,24,71	67,85	1,92,56	8,15	4.2
1950-51	1,57,15	57,54	2,24,69	5,91	2.6
1951-52	2,31,69	85,78	3,17,47	8,35	2.6
1952-53	1,73,75	83,63	2,56,78	6,65	2.6
1953-54	1,58,71	94,98	2,53,69	6,11	2.4
1954-55	1,84,87	1,08,22	1,93,09	6,35	3.3
1955-56	1,66,70	1,45,25	3,11,95	6,76	2.2
1956-57	1,73,23	1,90,43	3,63,66	7,91	2.2
1957-58	1,79,99	2,73,62	4,53,61	8,68	1.9
1958-59 (Revised)	1,36,00	3,01,15	4,37,15	9,52	2.2
1959-60 (Budget)	1,30,00	3,07,00	4,37,00	10,02	2.3

62. It would appear from the foregoing statement that the cost of collection for Customs and Excise duties together has always been over two per cent except in 1957-58 when it fell to 1.9 per cent. The Committee understand that the cost of collection of Customs and Excise duties in U.K. varies from 0.7 to 0.8 per cent. In this connection, the representatives of the Department stated that the cost of collection in India could not be compared with that in U.K. because in U.K. there was no tobacco or tea excise which required large field staff. As, however, separate figures are not available with regard to cost of collection of the various duties, the Committee suggest that the cost of collection of tobacco, coffee, tea and all other excises may be computed separately and compared with the cost of collection of similar duties elsewhere.

63. The following statement shows the cost of collection of excise duties only and the percentage it bears to the total gross excise tax revenue:

Year	Gross Revenue (Rs. in crores)	Collection charges (Rs. in crores)	Percent- age of Col. (2) to Col. (3)
1955-56	1,51.10	4.20	2.8%
1956-57	1,90.56	5.04	2.6%
1957-58	2,73.62	5.74	2.1%
1958-59 (R. E.)	5,01.15	5.66	1.87%
1959-60 (B. E.)	3,07.00	6.05	1.97%

64. During evidence the representatives of the Department of Revenue claimed that the cost of collection of excise duties had been falling and was approaching the ratio obtaining in U.K. The Committee do not, however, notice any substantial improvement in this respect. They feel that though there appears to be a fall in the percentage cost of collection to total revenue, it is largely due to the increase in collection of revenue on account of increased rates of duty. In fact, the actual cost of collection had risen from 1955-56 to 1956-58 by over Rs. 1.46 crores and is expected to rise by another 0.4 crores in 1959-60. Though, a part of the increase might be due to the introduction of new excise duties, the Committee are not convinced that the expenditure which is being incurred is wholly essential and unavoidable. They recommend that the scope for reducing the cost of collection of Central Excises needs to be constantly explored.

65. A statement showing Collectorate-wise collection of Union excise revenue, cost of collection and percentage cost of collection to revenue during the years 1955-56 to 1957-58 is given at Appendix IV. It is observed therefrom that the cost of collection in the different Collectorates varied from 0.9 to 7.0 per cent in 1955-56, from 0.9 to 7.5 per cent in 1956-57 and from 0.9 to 3.7 per cent in 1957-58. It would also appear that the cost of collection in Hyderabad and De'hi is the highest. The Committee were informed, in this connection, that the cost of collection was dependent on the nature of excise commodities and the revenue potential

thereof in each Collectorate. The cost of collection of duty on tobacco was stated to be high because it required large field staff; on the other hand, where there was concentration of factories the cost of collection was low, as in Bombay. Besides, in the case of Hyderabad Collectorate where tobacco was grown, large staff was stated to be employed on supervision over cultivation, but the duty was not collected in the Collectorate because the tobacco grown in Hyderabad went to Calcutta or Patna where cigarette factories were located or to Madras for export. This had the effect of reducing the cost of collection in Calcutta and raising it in Hyderabad. Nevertheless, the Committee doubt whether these reasons would justify such wide variation in the cost of collection as 0·9 to 7·6 per cent between the different Collectorates in 1956-57. In this connection, the Committee feel that the anomalies in the Organisation of the Collectorates referred to in paragraphs 7-9 and 11 above might also be partly responsible for the variations in the cost of collection. They hope that the re-organisation of the Collectorate suggested earlier would help in making the cost of administration uniform and also in reducing it.

66. Twenty-five per cent of the net proceeds of the basic Excise duties on matches, tobacco, sugar, vegetable product, coffee, tea, paper and vegetable non-essential oils is required to be distributed among the States according to the recommendations of the Second Finance Commission. Similarly, a certain portion of the net proceeds of the Additional Duties of Excise on sugar, tobacco, cotton fabrics, rayon or artificial silk fabrics and woollen fabrics, produced or manufactured in India as prescribed in section 4 of the Union Duties of Excise (Distribution) Act, 1957, has to be distributed among the States. For this purpose, the net proceeds are worked out by deducting (i) Refunds, and (ii) Cost of Collection, from the total gross collection of divisible commodities.

67. The Committee were informed that as there was no arrangement to work out the cost of collection of the various duties commodity-wise, it was fixed ad-hoc as a percentage of the revenue realised therefrom. The Committee consider such an ad-hoc procedure as hardly satisfactory since the cost of collection admittedly varies from commodity to commodity and from area to area of collection. In this connection, they also feel that commodity-wise cost of collection of various duties would also be necessary to determine the economies relating to their levy.

68. The Committee observe from the Annual Reviews of earlier years that commodity-wise costs of collection were worked out previously. The Committee, therefore, recommend that steps be taken to introduce a simple system of costing in consultation with the Cost Accounts Branch of the Department of Expenditure to facilitate working commodity-wise costs of collection of various duties.

#### F. Arrears of Revenue

69. The Statistical Bulletin relating to Central Excise for June, 1958, published by the Statistics and Intelligence Branch of the Department gives the following statement which reveals the excise

duty assessed on unmanufactured tobacco, remaining unpaid till the end of June, 1958:

S. No	Formation	Amount outstanding at the end of June	Total Revenue realised	Total revenue realised	Comparative percentage			
					1958	1957	Col. 1 x 100	
					on A.R.I. from 7/57 to 6/58	on A.R.I. from 7/57 to 6/58	Col. 2	
I.	Allahabad	49	33	63	462	121	67	9
2.	Delhi	34	32	32	124	106	106	27
3.	Hyderabad	32	32	51	400	100	63	8
4.	Patna	22	18	29	268	122	76	8
5.	Bombay	12	16	12	323	75	100	4
6.	Madras	11	9	14	517	122	79	2
7.	Baroda	9	10	12	292	90	75	3
8.	Mysore	9	9	11	246	100	82	4
9.	Nagpur	9	8	24	495	113	38	2
10.	Calcutta	6	7	13	532	86	46	1
II.	Shillong	*	*	2	12	150	13	2
ALL INDIA		184	174	260	3669	106	71	5

From the above, it is seen that the total amount of arrears of excise duty on un-manufactured tobacco has increased from Rs. 1.74 crores at the end of June, 1957 to Rs. 1.84 crores at the end of June, 1958. Further, the percentage of arrears to total revenue in the various Collectorates ranges from 1 to 27 per cent., that in Delhi being the highest.

70. When a Study Group of the Committee visited the Collectorate of Central Excise, Delhi, they were informed that about 70 per cent of the total arrears in the Collectorate were concentrated in Ajmer Division of Rajasthan State. The main reasons for accumulation of arrears were stated to be as follows:—

- (i) The soil in Rajasthan State is mostly sandy and produce is not economic. The curers are illiterate and they cultivate tobacco out of sheer habits. They find it difficult to pay the duty on their produce unless they get a suitable price for their produce in the market.
- (ii) The jurisdiction of Ranges in Rajasthan is vast and the officers are handicapped by difficulties of communication. Consequently, contacts with the defaulters cannot be maintained in a sustained manner.
- (iii) The majority of the defaulters are of recalcitrant type and they have several times assaulted Central Excise Officers who went to them for recovery of arrears.

\*Less than Rs. one lakh.

- (iv) The State authorities have been requested for certificate action for recovery of arrears but the pace of execution of the writs of demands is very slow.
- (v) The stocks of tobacco in concentrated areas of Udaipur have deteriorated due to long storage and are not marketable. The curers have applied for destruction.
- (vi) In the majority of concentrated growing areas of Rajasthan, there are two crops overlapping with one another, with the result that current load of work with the staff is so heavy that they find little time at their disposal to pursue the defaulters."

71. In this connection, the Committee were also informed that the following steps had been taken to liquidate the arrears:

- "(a) Special arrear realisation squads had been formed in Rajasthan, but in view of the difficulties stated above, the pace of recovery is slow as compared to the bulk of the arrears.
- (b) The operations of recovery of arrears are under constant watch at the headquarters office. A special drive is in operation since October, 1956 in all the Circles in the Collectorate where one tobacco crop is cultivated. Besides, the progress of recovery is critically examined in each formation, every month and suitable action is taken wherever necessary. General instructions are issued to the lower formations from time to time requiring them to speed up the liquidation of arrears.
- (c) The M.O.R. Scheme is in operation which seeks to redeploy the staff on an intensive functional basis. The scheme would lead to better utilization of man power which is expected to result in improved recovery."

72. The Committee, however, find from the following statement that the arrears of revenue in the Delhi Collectorate have been gradually rising.

(in thousands of Rs.)

Amount of duty outstanding as on	One year or more	Less than one year	Total		
				1-4-56	1-4-57
				2422	693
				2305	671
				2253	1253
				2247	1200

The Committee cannot help, therefore, concluding that the steps taken so far with regard to clearance of arrears in the Delhi Collectorate have not been effective enough. They, therefore, recommend that the problem relating to the arrears should be studied carefully and more energetic steps initiated to reduce them.

73. The Committee asked the Department of Revenue to furnish a note stating the total amount of arrears of revenue from Central Excise indicating the periods to which they related and explaining the reasons therefor, in order to examine the position in this respect in the different Collectortates. They were informed that the information was not readily available with the Department and that it had been called for from the Collectors. This was not, however, received till the 20th April, 1959 when the report was finalised. The Committee consider it surprising that such important information should not be readily available with the C.B.R. They wonder how in the absence of such information the C.B.R. exercises control over the collection of arrears which should be one of its important responsibilities. The Committee recommend that the C.B.R. should take immediate steps to ensure that such information is called for periodically and to have it analysed in its office. They also recommend that the C.B.R. should take energetic steps to reduce the arrears.

**IV**  
**REFUNDS AND APPEALS**

**A. Refunds**

74. The following statement shows the number of refund applications received, disposed of and pending at the end of each of the last three years:

Year	Number of refund cases pending at the beginning of the year	Refund applications received during the year	Applications disposed of during the year	Applications pending at the end of the year
1955-56	4972	27031	25877	6127
1956-57	6121	27069	26609	6569
1957-58	6604	19663	21020	5128

75. It would appear from the above that nearly 25 per cent of the total receipts have been pending at the end of each of the three years. While the number of applications disposed of during 1956-57 was higher than in the previous year, it was much less in the following year. There was also no substantial reduction in the number of applications pending at the end of the last year. The Committee consider that it is essential that all applications should be disposed of within the year and towards that end all steps must be taken.

76. The Committee understand that claims for refunds might arise in the following circumstances:

- (a) for refund of Central Excise duty on export of excisable goods out of India or a claim for rebate of duty; or
- (b) for refund of excess recovery of duty through inadvertence, error or misconstruction of duty, fine or penalties on acceptance of appeals or revision application, of the price of unused or damaged Central Excise Revenue Stamps/Labels/Match Excise Banderols, and of licence fees on rejected applications.

77. During evidence the representatives of the Department stated that bulk of refunds were on account of export of excisable

commodities and that the procedure in that respect had been very much simplified since February, 1957 with the result that under the revised procedure more than 90% of the claims were being disposed of within 15 days. It was, however, represented to the Committee that the present procedure of payment of refunds in respect of exported goods was more complicated than the previous procedure. In this connection, the following statement was made in a memorandum submitted to the Committee:

**"(1) Rebate of Central Excise duty on Vanaspati exported out of India and on Vegetable non-essential oils contained therein:**

With a view to encouraging export of Vanaspati the Government of India allows rebate on excise duty payable on Vanaspati exported as well as on vegetable non-essential oils used therein.

Until recently, exports of Vanaspati were permitted under bond and so the manufacturers did not have to pay any duty on the finished product. They also had the freedom to appeal for refund of excise duty paid on vegetable non-essential oils used in such Vanaspati on presentation of the necessary A. R. forms testifying payment of excise duty.

From 1st March, 1958 exports of Vanaspati under bond are not permitted and instead a manufacturer has to get himself registered as an exporter of Vanaspati and pay duty initially and then claim refund. We, however, submit that this procedure is cumbersome and time consuming and also leads to avoidable lock up of finance inasmuch as duty has to be paid prior to export of goods. Further, according to the revised procedure, manufacturers are required to disclose to the Collector of Central Excise their formulae for Vanaspati and notify and obtain his approval prior to making any change in the formula before such Vanaspati can be exported. We feel that since the provision for obtaining such prior permission causes delay and upsets the manufacturing programme, a mere intimation to the Collector of the change envisaged should serve the purpose. We believe that the original procedure of allowing exports under bond without payment of duty on Vanaspati and permitting the exporters to claim refund of excise duty paid on vegetable non-essential oils used in it was quite simple and effective and as such it is submitted that the old procedure should be allowed to be continued.

**(2) Rebate of excise duty on raw materials used in the manufacture of soap and hair oil exported from India :**

Recently, the Government of India has published Customs and Central Excise Duties Drawback (Toilet Products) Rules 1958 and under these rules excise duty paid on soap exported out of India and on vegetable non-essential oils used therein is refunded to the exporters. Under

these rules also, export of soap under bond is prohibited with the result that manufacturers are first to pay duty on the soap exported and then claim refund thereon.

This also involves a cumbersome and time consuming procedure and leads to unnecessary lock up of finance. We, therefore, submit that the rules should be modified so that soap can be exported under bond as hitherto, without paying excise duty there and the exporters would have to claim refund of only the export duty paid on vegetable non-essential oils and other materials used in soap."

78. The following is an extract relating to the procedure of refund from another memorandum submitted to the Committee:

"With a view to promote exports rules have been prescribed recently for the refund of excise duties on the raw-material content of finished products exported from India. The procedures, however, are so elaborate that frequently the factories find it more economical not to claim such refund. For example, when Vanaspati is exported in tins a drawback is allowed at the rate of Rs. 60/- per ton of tinplate used in such containers. Since this drawback comes within the purview of the Customs department, inspecting officials have to be invited to visit the factory to check the tins to be exported. Often the inspection fees and conveyance charges exceed the amount of drawback payable on such tins. We have suggested that the Excise Inspector in charge of the factory should be authorised to certify the claims for refund of the drawback on containers. This has been found not acceptable."

79. *The Committee recommend that the difficulties pointed out in the statement quoted above may be examined and steps taken to minimise inconvenience to the tax payers.*

80. As regards the refund claims of the second category referred to in para 76 above the representatives of the Department stated that the average time of disposal was about three to four months but that one was not to be surprised if in some cases it took even a year to dispose of the claims. The reason for the delay in these cases, it was stated, was that the procedure requiring the claims to be signed by the claimant, verification of credits in respect of the original payment of duty etc. before admitting the refund claims for payment required time to be completed. (A note describing the procedure of payments of refunds in such cases is given in Appendix V). The matter was, however stated to be under examination in consultation with the Comptroller and Auditor-General.

81. *The Committee are surprised that it has not so far been found possible to evolve a simpler procedure for speedy disposal of refund claims, and suggest that the matter be examined speedily.*

82. *In this connection, the Committee suggest that in order to quicken the pace of payment of refund claims the feasibility of paying them through Scheduled Banks subject to an indemnity bond being*

furnished by the Banks concerned without waiting for the verification of the credits, may be considered.

83. The Committee also suggest that the feasibility of the Central Excise Departmental Officers taking over the Treasury functions in so far as Central Excise collections and refunds are concerned, may also be considered.

### B. Appeals

84. A statement of the appeals, including appeals against offence cases received and disposed of by the Central Board of Revenue and pending at the end of the year is given below:

Year	No. of applications pending	Fresh appeals etc. received	No. of cases settled in the year	No. of cases pending at the end of the year
1955.	214	393	353	254
1956.	254	436	400	290
1957.	290	149	332	107

It would be observed from the above statement that the number of appeals outstanding at the end of each year is fairly large and represents a high percentage of the annual receipts.

85. In this connection, the Committee were informed by the representatives of the Department that whenever there was any accumulation of appeal cases, special officers were appointed to deal with such cases. An additional Member of the C.B.R. was also asked to deal with appeals and revision petitions in such cases. It was further explained that the delay was not because of any special reasons or defects, but that in the general scheme of work, cases which were pending before courts or for certain other technical reasons could not be disposed of, for reasons beyond the control of the Board. Otherwise, appeals and revision petitions were stated to be disposed of within 3 to 6 months, except in cases where any statutory requirement was involved, in which case it might take more than 6 months.

86. The Committee consider it unfortunate that the Department is quite complacent about the time, ranging from three to six months, taken to dispose of the appeals. The Committee recommend that steps be taken by the Department not only to dispose of all the pending appeals quickly but also to ensure that future appeals are disposed of within a reasonable time. They, further, suggest that the position of appeals received, disposed of by, and pending with the Collectors may be reviewed and similar steps taken to step up the pace of their disposal.

87. The Committee came across another complaint in connection with appeals viz., that in certain cases the appellate authority did not state in their judgments the reasons on which the appeals were decided. *The Committee consider that it is a fundamental principle of justice that while justice is done it should also seem to have been done and the practice of delivering judgments without stating the grounds thereof violates that principle and smacks of arbitrariness.* They, therefore, feel that it is desirable that every order disposing of an appeal should state the reasons leading to the conclusion contained therein in order to convince the affected parties of the reasonableness of the conclusion and also to enable them to appeal. This would also enable the intention and meaning of the law to be made better known to the people. The Committee suggest that suitable instructions may be issued to all appellate authorities in this regard.

## V

### MISCELLANEOUS

#### **A. Consolidation of the Central Excise Acts and Rules**

88. The administration of the Central Excise duties is governed by the Central Excises and Salt Act, 1944 and the Central Excise Rules, 1944 framed thereunder. When they were framed the main excisable commodities were only tobacco and salt among the unmanufactured products and sugar, matches, steel ingots, coffee, tea, motor spirit and kerosene oil among the manufactured products. Since then, new provisions have been made as and when new excises were levied.

89. In this connection, it has been represented to the Committee that the Excise Act and Rules, framed long ago, do not take into account the peculiar features and needs of the small scale industries like oil on which excise duties have been levied recently. It has also been represented that they are not suited for application to the Textile industry. It has, therefore, been suggested that the Central Excise Act and the Central Excise Rules should be revised in the light of the peculiar features of the commodities on which the duties have been levied newly and that a separate manual should be brought out for duty on textiles.

90. When this matter was discussed with the representatives of the Department, the Committee were informed that the Act and more so the Rules were constantly reviewed and amended in order to suit the requirements of new excises. Regarding small scale industries, specially, they stated that a system of compounded levy was introduced some time ago and special provisions had been made in the Rules for the same.

91. It is interesting to observe, in this connection, that since the publication in 1956 of the 4th edition of the Central Excise Manual which contains the Central Excise Act and the Rules thereunder, there were as many as 80 amendments to the rules upto 30th September, 1957. *The Committee feel that such piecemeal changes should as far as possible be avoided. They suggest that the law may be reviewed from time to time and brought up-to-date after making necessary changes in the light of the difficulties experienced in the administration of law and of the requirements of new excises, codifying it wherever necessary.*

#### **B. Publicity of the Rules**

92. The Committee understand that the excise-duty-paying-public have often experienced difficulties in regard to the availability of rules, notifications and clarificatory orders issued from time to time in a consolidated form. The Committee were informed that the Central Excise Manual was revised once in two years or so.

consolidating the rules and orders issued at various times. All notifications issued by the Government, the C.B.R. or the Collectors of Central Excise in pursuance of the powers vested in them under the provisions of Central Excises and Salt Act, 1944 and the Central Excise Rules, 1944 were published in the Gazette of India. Besides, they were also supplied to the Chambers of Commerce, as and when they were issued for information of the public. The orders, clarifications etc. of non-statutory character were not published but those which were of interest to the trade were incorporated in the trade notices issued by the Collectors of Central Excise to the various associations and Chambers of Commerce. All notifications, orders and instructions intended for the public were also exhibited on the Notice Boards in local Central Excise Offices.

93. The Committee, however, feel that in order to make the excise law available to the public ready at hand whenever they require, it would be desirable if all the rules, regulations, notifications etc. issued from time to time are collected together and published in a consolidated form periodically by means of monthly or quarterly bulletins. They suggest that the feasibility of issuing such bulletins similar to the departmental bulletins which are already being issued may be considered.

94. The Committee also suggest that important notifications might be published in the local newspapers so that they may receive publicity among larger sections of people.

### C. Statistics

95. The following statistics (Central Excise) are published by the Statistics and Intelligence Branch (Central Excise) which functions as a subordinate office of the Central Board of Revenue:

1. Central Government Revenue Statistics.
2. Statistical Bulletin—Central Excise.
3. Statistical Year Book.
4. Statistical Abstract.
5. Statistics (The Review of Excise Administration).

96. In this connection, the Committee understand that a difficulty has been experienced by the S. & I. Branch due to inaccurate and incomplete information being furnished in the returns by field formations and consequent delay and labour involved in the settlement of discrepancies. It is needless to state that completeness and accuracy are the two essential aspects of statistics and without them the statistics would be unreliable. The Committee are afraid that if the returns submitted by the field formations are inaccurate and incomplete, the statistics published by the Statistical and Intelligence Branch as well as the efforts put in and the expenditure incurred in collecting and collating them might be of doubtful value. As, however, statistics have an important place in modern administration as an aid to the formulation of policies, the Committee suggest that early steps may be taken to ensure that the statistics furnished by the formations are complete and accurate. For this purpose, they feel that it would be necessary not only to issue instructions advising the field staff how to collect the statistics from the basic data but it would also be necessary to check how it is being done by periodical inspections and impart them necessary training.

97. In this connection, the Committee also understand that there is delay in the printing and publication of statistical publications. The Committee feel that if these publications are to be useful they ought to be published in time. They, therefore, recommend that Government might take suitable measures to avoid the delay in their publication.

#### D. Annual Reviews

98. The Department brings out a review of its working annually. The purpose of the Review is to give for the information of the public, important developments that have taken place in respect of each excisable commodity. The Review contains information relating to the excise duties in force, the revenue realised therefrom during the financial year under review, statistical data about revenue realisation (State-wise and Commodity-wise), expenditure incurred on the collection thereof, etc.

99. The following table shows the years in respect of which such reviews have been published and the years of publication thereof:

For the Year	Published in
1951-52	1954
1952-53	1954
1953-54	1955
1954-55	1957
1955-56	
1956-57	
1957-58	1958

It would be observed from the above statement that the publication of the Review has been very irregular and often delayed. The first Review relating to 1951-52 was published in 1954 and the Reviews for the three years 1955-56, 1956-57 and 1957-58 were all published in 1958. The Committee wonder if the Reviews published so irregularly serve any useful purpose. They suggest that measures should be taken to publish these Reviews more promptly in future. In this connection, they also suggest that the feasibility of publishing the Review along with the Annual Report of the Department together with an economic analysis of the information contained therein may also be considered.

### **E. Headquarters of the Western Regional Unit of the Directorate of Inspection**

100. The Directorate of Inspection (Customs and Central Excise) was constituted in 1938, to serve as an agency for executive audit by inspecting the working of the administrative functions connected with Central Excise and Customs and ensuring proper assessment and realisation of revenue. The Directorate was reorganised in October, 1952, when four Regional Units of the Directorate were created, with a view to intensifying the inspection of Central Excise range formation, circles, divisions and branches of collectorate headquarters offices. The jurisdiction of the various Regional Units are as follows:

Name of the Regional Unit	Headquarters	Jurisdiction
North Regional Unit	Simla	Delhi, Allahabad and Nagpur Central Excise Collectores.
East Regional Unit	Calcutta	Calcutta, Patna and Shillong Central Excise Collectores.
South Regional Unit	Hyderabad	Hyderabad, Mysore and Madras Central Excise Collectores.
West Regional Unit	Hyderabad	Bombay and Baroda Central Excise Collectores.

101. The Committee were informed that the headquarters of the Western Regional Unit was located at Hyderabad for want of suitable office accommodation at Bombay. During evidence the representatives of the Ministry also conceded that Hyderabad was not the right place for location of the headquarters of that unit. The Committee feel that the purpose of the regionalisation of the Directorate of Inspection could best be served by locating the headquarters of a regional unit at a convenient point within its jurisdiction. They, therefore, suggest that the possibility of shifting the headquarters of the Western Regional Unit to Baroda, Poona or Nasik may be considered.

## VI

### CONCLUSION

102. The Central Excise Department contributing as it does over Rs. 300 crores annually to the revenues of Government holds a key position in the organisation of Government. The Committee doubt, however, whether the Department is organised well enough to suit its new position. Its organisation and procedures were designed at a time when excise was comparatively a minor source of revenue and the number of duties it had to administer were few and simple. As new duties were levied and complexities were introduced into the administration, adjustments and amendments of the existing system were carried out. The Committee feel that these changes have been more a patch work than any attempt in an integrated system. The Committee have in the foregoing chapters indicated certain lines on which the Department needs to be improved. They, however, feel that it would be desirable to have an expert examination into the working of the Department.

103. During evidence the representatives of the Department stated that the Department was still in a growing stage and that it was not an opportune moment to appoint an expert committee to examine its working. The Committee feel, however, that the Department has grown up in a haphazard way employing more men than are really necessary, and following archaic and cumbersome procedures. The Committee, therefore, consider that the time is ripe to cut all dead wood, reduce the Department to proper proportions, introduce simple and modern system of procedure and make it an efficient instrument of tax collection at minimum cost and with maximum of efficiency, affording at the same time all conveniences to tax-payers. The Committee recommend that the appointment of a Central Excise Re-organisation Committee to make a comprehensive examination of the organisation and working of the Central Excise Department, on the lines of the Badhwar Committee in the case of Customs and the Tyagi Committee in the case of direct taxes, may be considered urgently.

NEW DELHI;  
The 27th April, 1959.  
—Vaisakha 7, 1881 (Saka).

BALVANTRAY G. MEHTA,  
Chairman.  
Estimates Committee.

## APPENDIX I

(Vide para 20)

*Statement showing the sanctioned strength of Permanent and Temporary posts in the various Central, Excise Collectorates, Directorate of Revenue Intelligence, Directorate of Inspection (Customs & Central, Excise), and Statistics and Intelligence Branch (Central Excise) as on 1st April, 1958.*

Sl.No.	Designation of post	Prescribed scale of pay			Sanctioned Strength		
		Permanent	Temporary	Total	Permanent	Temporary	Total
1	2	3	4	5	6	7	8
<i>I. GAZETTED CLASS I</i>							
1. Director, Revenue Intelligence		2,250	(New Entrants). The pay of old entrants will be fixed by special orders in each individual case.		1		1
2. Director of Inspection, Customs and Central Excise.		1,800-100-2,000+S.P. of Rs. 250/-			1		1

1	2	3	4	5	6
3. Collector of Central Excise Gr. I .	.	1,800-100-2,000	4	..	4
4. Collector of Central Excise Gr. II .	.	1,600-100-1,800 and 1,300-60-1600	5	4	9
5. Deputy Director Investigation .	.	1,300-60-1600	..	2	2
6. Deputy Director Intelligence .	.	1,300-60-1600	..	2	1
7. Deputy Director Inspection .	.	1,300-60-1600	..	2	2
8. Deputy Collector of Central Excise .	.	1,300-60-1600	2	3	5
9. Assistant Director of Inspection .	.	1,000-50-1400	..	3	3
10. Investigating Officer .	.	1,000-50-1400	..	1	1
11. Assistant Collector of Central Excise .	.	600-1150	44	61	105
12. Inspecting Officer in the grade of Principal Appraiser .	.	600-1150	..	23	23
13. Statistician .	.	500-30-800	..	..	1
14. Superintendent of Central Excise Class I .	.	350-850	1	..	1
		350-850	70	8	78
<i>II. GAZETTED CLASS II</i>					
15. Superintendent of Central Excise Class II .	.	275-25-500-EB-30-800	191	97	288
16. Deputy Headquarters Assistant .	.	Do.	3	4	7
17. Appraiser .	.	275-25-625	..	4	4
18. Chief Accounts Officer .	.	500-130-650-EB-30-800	9	3	12
19. Assistant Chief Accounts Officer .	.	275-25-500-EB-30-800	..	3	3
20. Assistant Statistician .	.	275-650	..	1	1
21. Deputy Superintendent Light House .	.	350-25-500-30-800	..	..	5

**III. NON-GAZETTED CLASS III (EXECUTIVE)**

22. Deputy Superintendent Central Excise . . . . .	260-15-350	343	477	820
23. Coast Guard Inspectors . . . . .	200-10-250-EB-15-400	1	..	1
24. Preventive Officer Grade I . . . . .	125-400	..	1	1
25. Preventive Officer Grade II . . . . .	100-200	..	1	1
26. Inspector of Central Excise . . . . .	Selection Grade 200-10-300 (15% of permanent strength), Ordinary Grade 100-Prob- 120-8-200-10/2-220	4223	1964	6187
27. Statistical Investigator . . . . .	160-10-350	3	3	6
28. Supervisor of Central Excise . . . . .	60-3-EB-4-125-5-130	904	2859	3763
29. Women Searcher . . . . .	68-4-120-5-170	26	22	48
30. Examiners . . . . .	60-3-81-EB-4-125-5-130	7	2	9
31. Farrier Major . . . . .	68-4-120	1	..	1
32. Medical Officer . . . . .	100-8-140-10-170-EB-10-300	1	..	1
33. Compounder . . . . .	60-3-81-EB-4-125-5-130	1	..	1
34. Motor Driver . . . . .	60-5/2-75	18	89	107
35. Launch Driver . . . . .	60-5/2-75	11	9	20
36. Serang-cum-Driver . . . . .	Do.	1	..	1
37. Serang . . . . .	60-5/2-75/40-2-60	2	9	11
38. Navigating Officer . . . . .	350-25-500	..	3	3
39. Assistant Navigating Officer . . . . .	275-25-450	..	3	3
40. Engineer Mechanic . . . . .	Do.	..	3	3
41. Assistant Engine Mechanic . . . . .	130-5-200-10-250	..	6	6

1	2	3	4	5	6
42. Leading Hand		130-5-200-10-250		3	3
43. Motor Mechanic		Do.		1	1
44. Wireless Operator		80-5-120-EB-8-200-10/2-220		1	1
45. Armourer		75-3-105	1	1	
46. Carpenter		50-2-60-5/2-75	2	2	
47. Mason		30-1-50	1	1	
48. Chemical Assistant Grade II		160-10-330	1	1	2

#### IV. NON-GAZETTED CLASS III (MINISTERIAL)

49. Office Superintendent		370-15-400-20-500	4	3	7
50. Superintendent (Ministerial)		310-15-400	9	2	11
51. Deputy Superintendent (Ministerial)		250-15-325	79	43	122
52. Assistants		160-450	4	19	23
53. Head Clerk		160-10-250-15-280	266	167	433
54. Upper Division Clerks		80-5-120-8-200-10/2-220	603	709	1312
55. Lower Division Clerks		60-3-81-EB-4-125-5-130	2052	1447	3499
56. Stenographer		200-10-300/160-330	10	16	26
57. Stenographer		80-220	2	7	9
58. Steno-typist		60-130+S.P. Rs. 20/-	168	271	439
59. Draftsman		60-4-120-EB-5-150	10	8	18
60. Tally Clerks		60-3-81-EB-4-125-5-130 (from Matriculates) and 40-2-60 (for non-Matriculates)	33	1	34

61. Weigh Clerks (12 monthly)	•	•	45-2-55-3-85	21	•	21
62. Weigh Clerks (9 monthly)	•	•	Do.	23	•	23
63. Shroff	•	•	•	60-3-81-EB-4-125-5-130 + S.P. Rs. 30/-	1	2

*V. CLASS IV STAFF*

64. Jamadars, Daftaries, Havildars/Naiks, etc.	•	40-1-50-2-60	284	90	374
		35-1-50			
65. Sepoys, Lascars, Camel Sewars, Hamals and other Class IV Staff.		30-1-35	5547	8647	14194

## APPENDIX II

(*Vide para 38*)

### *Checks exercised by the Central Excise Officers in respect of Cement factories*

(1) *Check over raw materials such as limestone, Limeshells, clay, laterites, gypsum, etc.*—The factory officer during his duty hours is expected to check weighment or accounting of the raw materials at least once to verify that the weighments are correctly recorded by the factory staff.

(2) *Check over raw meal or slurry produced and consumed.*—The factory officers check the figures at least twice a week.

(3) *Check over production of clinker.*—The factory officer, at least twice a week, verifies the figures of clinker produced by the factory and checks the correctness of the entries made by the factory.

(4) *Check over consumption of Clinker and Gypsum.*—The factory officers check the accuracy of figures of gypsum and clinker consumed at least twice a week.

(5) *Check over Cement production.*—The factory officers check the daily production every day and correlate it with the quantity of clinker fed into the cement mill, slurry consumed and the raw materials used and watch the ratio of raw material used, the dry slurry consumed and the clinker fed to produce 100 tons of cement.

(6) *Check of silo stocks*—The factory officers have to measure at least twice a week the quantity of cement in silos. They have also to calculate the production of cement and compare it with the production as ascertained *vide* item (5) above.

(7) *Check over bagging and loading.*—The officers have to check weigh the bag at this stage.

(8) *Check weighment of packed cement wagons.*—In addition to the check weighment of the bags, 10 per cent of the wagons, trucks, etc. loaded with cement bags is check weighed on weigh bridges. Similarly wagons, trucks etc. in which loose cement is loaded, are to be weighed on weigh bridges under the supervision of the Central Excise Officer and net weight of cement arrived at.

(9) The weighing machines themselves are checked by the factory officers.

(10) *Check of manufacturer's account and returns*—At the end of each day or as soon as the daily entries are complete the factory officer scrutinises the entries in each of the manufacturers' accounts and sign the entries in token of having done so. The factory officer personally verifies the correctness of the entries in the various returns filed by the manufacturers with the Central Excise Department.

(11) *Stock Challenges.*—Finally, the factory officers have to conduct verification of stocks of cement in the factory premises.

The supervising officers such as the Deputy Superintendents are required to make a study of the daily, weekly fortnightly and monthly reports and returns maintained by the factory in respect of production and clearances hours of working and manhours lost, logsheets and receipt of gypsum etc.

Central Excise officers of the rank of supervisors generally assists the Inspectors in the discharge of their functions while sepoys mainly guard the factory gates so that only cement of which clearance has been authorised is removed from the factory.

## APPENDIX III

(*Vide para 42*)

*Suggestions received from various bodies re. the procedure of assessment, levy and collection on certain Excises.*

### **A. Textiles**

#### ***Cloth Excise***

1. "Procedure to grant permit to the mills to bring back into the mills defective and/or damaged pieces from outside requires to be simplified. The Range Officer should be authorised to grant permission in such cases."

2. "Samples of other mills are required to be brought into the mills for comparison. This is a legitimate business requirement. The R.O. should be authorised to allow such samples in the mill premises."

3. (i) "The excise rules provide for submission of A.R.I. forms for clearance at least before 24 hours. It is true that generally inspectors are accommodating and accept the A.R.I. forms on the same day and allow clearance. However, this should not be left to the individual discretion and departmental instructions must be given to accept, as a rule, A.R.I. forms immediately and grant clearance on the same day. Sometimes railway booking may be closed for a particular destination and may open suddenly for a day or two and it is necessary that mills should arrange for immediate clearance and despatch."

(ii) "The checking procedure at the time of clearance should be simplified to eliminate delay in transport of bales from the go-down to the railway yard."

"It should be impressed on the excise staff stationed at the mill gate that in a business concern, despatch of goods against order must be as prompt as possible and they should assist the mills in the matter by expediting the procedural requirements as far as possible."

4. "In order to check up the counts of yarn from which the cloth is manufactured, excise authorities draw samples of cloth and yarn. Samples of cloth are drawn from the bale under packing while yarn samples are taken on the same day from the spinning department. The mills are required to give declaration that yarn used in materials under packing is the same. It is suggested that the cloth sample should be taken from the loom shed on the same day on which yarn sample is drawn from the spinning department."

5. "The packing of bales of fents and rags is required to be done under the personal supervision of the R.O. This involves considerable delay because the R. O. may not be free when the bales are to be packed."

This procedure needs to be simplified. The mills should be allowed to pack such bales and the R.O. shoud be asked to have surprise checking."

6. "There is generally some variation in length and width even though the cloth might have been woven to same specifications. This is particularly true in the case of mills having old machinery for finishing, drying, stantering etc. Due consideration should be given to this technical aspect while checking the length and width and a practical and sympathetic view should be taken of the variation that may be found."

7. "The excise authorities are sometimes suspicious of the proportion of fents. No mill would make more fents deliberately. The proportion of fents depends upon the technical faults in the manufacture and the strictness exercised in packing only good cloth in sound bales. The Excise staff is generally unaware of all these technical difficulties and market requirements. They should be given suitable instructions in the matter."

8. "Mills are required to mention rates of the sorts in A.R.I. application. Since the excise duty is collected on the basis of square yards, this is superfluous. Besides, the rate for a particular sort is a business secret of the mills and they should not be asked to give it, particularly because it is not required for the calculation of the amount of excise duty to be paid."

#### *Powerloom Excise*

9. "At present average of working looms is arrived at by dividing total number of looms worked by 26 days for all the shifts. That is it is presumed that the looms worked all shifts during the whole month. In practice, however, only first shift works during the whole month. Second and third shifts run only for a part of the month due to paucity of raw materials, labour or any other reason. As a result eve though actual average of working looms is less for second and third shifts it is shown to be high. It is suggested that for second and third shifts average of working looms is arrived at by dividing total number of looms worked by the actual number of days for which the looms have worked in the month instead of 26. In other words loom shift should be the unit."

10. "At present in case of silk fabrics there is proportionate decrease in excise duty shift-wise. That is for second shift the duty is less than it is for the first and for third it is less than for the second."

11. "In case of cotton fabrics (Handloom Production) however this is not the case. Uniform duty is levied for all the shifts while rate of production would go on decreasing shift by shift."

"It is therefore suggested that decreasing rates of excise duty may be fixed shift by shift."

12. "Where as in case of silk fabrics 9 looms are exempted from Excise Duty, only 4 looms are exempted in case of cotton fabrics. It is suggested that this basis may be changed and nine looms may be exempted as in case of silk fabrics."

13. "Same procedure and same forms and proformas are applied to the Powerloom Industry, as they are in force for Textile Industry. In practice however Powerloom Industry runs on a small organisation compared

to Textile Industry and hence it is difficult for them to "maintain information in complicated forms."

"It is therefore suggested that this industry may be provided with simplified procedure and forms of return."

### *Dyeing Industry Excise*

#### *Exemption of Small Dyeing Units from Excise Duty*

14. "At present cloth merchants purchase grey cloth from Textile Mills and get this coarse and medium cloth dyed. Small dyeing Units have thus grown in the form of cottage or small industries. There are extremely small units using one H. P. electric power. Their establishment is very small.

Under recent changes in excise duty on cotton cloth such small units have also come under the purview of excise duty of 1 1/2 n.P. per square yard. Such units are likely to be adversely affected by imposition of Excise Duty and they should be exempted upto say 2 H. P. capacity in the larger interest of encouraging small scale industries."

### **B. Tobacco**

15. "At present, loss allowed in transit, storage and process, etc. of tobacco is not based on any scientific basis and as such it is more or less arbitrary. With a view to avoid arbitrary element in determining the extent of loss, it is necessary that some guiding principles be evolved based on scientific analysis and in consultation with representatives of trade."

### **C. Cigarettes**

16. "Since tobacco is under constant supervision, and since the Central excise staff have now gained considerable experience of normal storage/transit losses (other than loss due to pilferage or destruction) for the various types of tobacco used in the cigarette industry, we would suggest that it should now be possible to fix a mutually agreeable percentage loss on an all-India basis. This would prevent the many disputes which now arise in the various collectorates in connection with quite negligible quantities.

Alternatively we would suggest that all normal variations in weight due to increased or decreased moisture content should be disregarded until the leaf tobacco is finally weighed before being laid down for manufacture of cigarettes."

17. "Excise instructions lay down that a certain proportion of all packets, outers and cases should be opened up and the contents checked by the Excise inspectors. Although collectors have, in their discretion, waived the instruction, some inspectors prefer to work strictly to rule, with a consequent loss of materials and labour in re-packing the cigarettes. We maintain that since all processes of cigarette manufacture and packing are under constant excise supervision, the opening of outers and cases is quite unnecessary and should be discontinued."

18. "Central Excise Duty is payable at the time of the clearance of the goods from the factory. Since clearance are normally made for the purpose of sale, the present system of assessment and collection should be modified so that it would help the manufacturers to make payment of duty practically at the same time as they recoup it from their agents or distributors. As Central Excise duty is levied on goods and not on persons, it must be ensured that the procedure does not present practical difficulties which make it impossible for the manufacturers to recoup it from their agents and distributors."

19. "The way in which the procedure regarding summary assessment is enforced, we are constrained to state that the officers of the department are hopelessly misconceived and we wonder if they realise that with this sort of action they will eventually drive us out of business. The method adopted by them will not serve the purpose for which it is intended i.e., to prevent loss of revenue."

20. "The present Central Excise rules have been laid down without taking sufficient notice on the needs and peculiarities of our business with the result that manufacturers are faced with practical difficulties in following these rules. This situation gives the officers of the Central Excise Department who are posted at the factory an opportunity to her manufacturers to his own advantage. We suggest that the rules should be revised so as to make it possible for the smooth running of our business and safeguard the Government revenue at the same time."

#### D. Sugar

21. "Although there were facilities for the actual counting of the sugar bags in the godowns, even though they are not stacked, the excise staff often insist on stacking of such bags. Further, they do not permit despatch of sugar from two stacks simultaneously. Difficulties are also reported to be experienced in the clearance of sugar due to the fact that the Excise Inspector posted at a sugar factory, is also required to attend the clearances of other commodities in godowns near about the mills. Whenever he is away, the issues of sugar are being delayed."

22. "It may also be pointed out that the Central Excise Rules apply on a uniform basis to all manufacturing industries liable to Central Excise, while the actual working conditions widely vary from industry to industry. It is, therefore, necessary that the rules should be interpreted liberally by the Excise Department so as to avoid any unnecessary hardship to the sugar factories at the same time ensuring that the revenue of the Government by way of excise duty was duly safeguarded."

23. "It has been pointed out that losses of sugar occur in the re-processing of dirty and rori sugar which are not accepted in full by the excise authorities and the mills are assessed duty on a part of the losses. It may be pointed out that dirty and rori sugar contains high percentage of moisture which evaporate during hot weather. Consideration should be given to this factor while making assessment of duty."

24. "It has been brought to the notice of the Committee that a directive has been issued by the Central excise Department to the effect that the factories should arrange for adequate accommodation for the storage of 75%

of their production, failing which they may have to face the consequences, as the Department would not approve outside godowns for the storage of non-duty paid sugar. In this connection, the Committee desire to point out that in view of the shortage of building material and the abnormal cost involved in the construction of additional godowns, the factories are finding it difficult to comply with the above directive of the Excise Department. As the production of sugar is going up these days and despatches of the same from the mills are also regulated by means of free sale quotas released every month by the Government, it is suggested that the factories should be given permission freely for the storage of their excess production in outside godowns subject to sufficient safeguards to prevent any loss of revenue to the Government."

25. "Either the sugar factories should be granted necessary facilities for the import of the juice weighing machines from abroad or the Central Excise Department should not insist on the mills for complying with their above direction till such time as suitable and satisfactory quality of juice weighing machines are available from indigenous sources."

#### E. Matches

26. "As both the manufacturing and the consumption units of the splints and veneers are licensed factories and the control now being exercised by the Department necessitating the signing of the indents, etc., by the departments officials is unnecessary. Besides the splints are not an excisable commodity until dipped and should therefore be treated as any other raw materials that go to the manufacture of machines."

27. "It is laid down in Rule No. 182(b) of the Central Excise rules 1944, that no member of an undivided Hindu Family holding a licence shall be granted another licence in the same district. This rule was framed when India was under the British Rule. Even after becoming independent, this discrimination between Hindus and others is an anomaly. It is but just and proper that this rule be deleted and equal opportunities are given to one and all for getting licences if all other conditions laid down as per Excise Rules are satisfied."

#### F. Oil

28. "In mofussil centres there are no sufficient number of Supervisors/Inspectors to give clearance of oil. This affects clearance and mills are put to a very heavy loss. In interior it may not be possible to give 8 hours work to the staff but in such cases the Government should not collect duty and when it collects duty, clearance of oil should be given as and when required."

29. "At present payment is allowed only 6 times. The oil mills situated in mofussil far away from Treasury Office cannot take a risk to send hard cash so eight times a month payment should be allowed as before."

30. "Excise Control should be removed over the cottonseed crushers. Last year when we were under Bombay Collectorate, the control was removed, but when we came under Nagpur Collectorate again we were asked to have full control, which is merely waste of time, energy and money by Central Excise Department and the oil Millers."

## APPENDIX IV

(Vide para 65)

**Statement showing Collectoratewise Union excise Revenue, cost of Collection and percentage of cost of Collection to Revenue during 1955-56 to 1957-58**  
 (Figures in thousand of Rupees)

Collectorate	1955-56			1956-57			1957-58		
	Gross Revenue @	Cost of Collection	%age of cost of collection to revenue	Gross Revenue @	Cost of Collection	%age of cost of collection to revenue	Gross Revenue @	Cost of Collection	%age of cost of collection to revenue
Allahabad.	19,90,98	49.71	2.5	24,44,90	57.58	2.3	38,31,94	64,08	1.7
Bombay	48,48,70	43.69	0.9	61,63,09	61.10	0.9	70,27,28	65.38	0.9
Calcutta	19,56,80	46.83	2.4	25,62,19	54.47	2.1	37,29,20	57.46	1.6
Delhi	4,57,32	32.09	7.0	16,15,41	35.21	5.7	10,30,73	35.87	3.4

@ Includes amounts of Rs. 28894 (000), 35307(000) and 31401(000) respectively to be transferred to I—Customs on account of Tea exported.

I	2	3	4	5	6	7	8	9	10
Madras	18,30,14	64,63	3·5	15,90,67	57,60	3·6	24,48,65	66,48	2·7
Mysore	..	..	..	6,45,91	22,79	3·5	10,32,77	27,88	2·7
Shillong	5,54,37	20,48	3·7	6,51,56	20,55	3·4	8,19,62	22,93	2·8
Baroda	13,22,87	33,40	2·5	21,83,28	38,60	1·8	33,07,04	39,43	1·2
Hyderabad	6,25,68	45,73	6·9	7,00,62	53,07	7·5	14,27,76	52,96	3·7
Nagpur	7,50,38	21,80	2·9	7,18,73	20,04	2·8	10,36,91	19,15	1·9
Anna	7,72,61	27,38	3·5	7,80,16	30,84	3·9	16,10,66	32,10	2·0

## APPENDIX V

(*Vide* Para 80)

*Procedure for payments of refunds of excess recovery of duty through inadvertance, error or misconstruction of duty, fine or penalties on acceptance of appeals or revision application, of the price of unused or damaged Central Excise Revenue Stamps/Labels/Match Excise Banderols and of licence fees on rejected applications*

(i) (a) Bills of such refunds are prepared in triplicate by the Central Excise Officer concerned and sent to the claimant for signature;

(b) On receipt of these forms from the claimant, the original copy is forwarded to the Treasury Officer, to whom the payment was originally made, for verification and return with his certificate.

(c) The bill is then passed by the Assistant Collector of Central Excise, for payment, and the original copy duly countersigned by the Chief Accounts Officer is returned to the claimant for encashment at the treasury.

(d) At the same time intimation is also sent to treasury where the specimen signature of the Assistant Collector and the Chief Accounts Officer concerned are available.

(ii) Where refunds are to be granted to claimants possessing account current with the Central Excise Department, a similar bill is prepared. After it has been signed by the claimant, and countersigned by the Chief Accounts Officer, the amount is straightway credited to the appropriate account, and intimation of the credit is sent to the claimant.

(iii) (a) The excise labels in respect of which it is desired to claim refund, are to be made over to the Central Excise Officer concerned along with an application therefor. If the Central Excise authorities are satisfied that the claim is admissible under the rules, and on production of the treasury receipt relating to the purchase of the labels, refund bill in form T.R. 41 is prepared and the procedure indicated above is then followed.

(b) The refund bills for damaged labels are, however, not required to be sent to the treasury for prior verification.

(c) For refund of the value of Central Excise Revenue Stamps, either unused or affixed to a rejected application for a licence, the Central Excise Officer concerned on receipt of an application in those cases in which it is necessary, and after feeling satisfied that the claim is in order, prepares a refund bill in the usual form T.R. 41, and forwards the original copy thereof to the claimant for encashment at the treasury. Prior verification by the Treasury Officer is not required to be done in these cases also.

## APPENDIX VI

### *Statement showing the summary of conclusions/recommendations of the Estimates Committee*

Serial No.	Para No.	Conclusions/Recommendations
1	2	3
1	5—6	<p>The Committee observe wide variations in the size and jurisdiction of different Collectorates. They were informed that jurisdictions of Collectorates were being continually adjusted in the light of experience. They, however, feel that such piecemeal adjustments do not really solve the problem, because connected with the problem of jurisdiction is another problem relating to the size of Collectorates which necessitates the problem to be examined more comprehensively.</p>
2	9	<p>While the Committee are glad that the need for the reorganisation of the collectorates has been recognised and it has been started at the level of primary formations which form the base of the structure, they feel that since the efficiency and the cost of the administration depend largely on the soundness of the organisation the question of the reorganisation of the Collectorates should be examined comprehensively on priority basis.</p>
3	10	<p>While considering the reorganisation of the Collectorates, the Department may also examine the question of appropriate location of the headquarters of the Collectorates.</p>
4	11	<p>The Committee observe that the staff employed in the different Collectorates varies widely and is also not proportionate to the number of Ranges comprising them. They understand that the Directorate of Inspection had recently undertaken a major job analysis, for evaluating the clerical work load in each Circle-office and Divisional-office and also in respect of field work and executive jobs, required to be done in the basic formations. They feel that it is none too early that such analysis has been undertaken and hope that it will be completed and given effect to as early as possible.</p>

I 2

3

5 14 The Committee welcome the M.O.R. Scheme, in so far as it tends to reduce the cost of administration in areas where revenue yield is low. They, however, doubt whether it is essential to deploy the entire staff withdrawn from the areas where tobacco is grown sparsely in areas where it is grown on large scale, which were managed with lesser staff before the introduction of the M.O.R. Scheme. They also doubt, whether the increase in revenue due to the deployment of more staff in such areas would be proportionate to or even commensurate with the increase in expenditure. They, therefore, recommend that the requirements of staff in the various tobacco growing areas may be carefully assessed by adoption of suitable work study methods and the possibility of reducing the staff considered.

6 15 The Committee understand that the M.O.R. Scheme has been extended to other manufactured commodities. They cannot help feeling some doubt how far a Scheme envisaged for the administration of duty on an unmanufactured product would suit the administration of duties on manufactured products. They fear that the net effect of extending the M.O.R. Scheme to all the duties might be ultimately to enlarge the staff employed in the Ranges and to increase the expenditure thereon. They therefore, recommend that the working of the M.O.R. Scheme may be urgently reviewed with particular reference to its suitability for manufactured products and also its effect on the cost of administration of the Department.

7 16 The Committee suggest that certain points regarding the M.O.R. Scheme listed in para 16 may be examined and suitable steps taken to remedy the defects, if any.

8 19 The Committee cannot help feeling that considerations which hold good with respect to the allotment of Land Customs work to the Central Excise Department hold good equally in case of other Customs work, which could also be entrusted to the Central Excise Department for the same reasons. The Committee feel, that it would be advantageous if the Customs and Central Excise Departments are amalgamated and rationalised so as to avoid duplication of establishment. Such an amalgamation the Committee feel might also enable the staff in the two departments to be employed more effectively and economically. They recommend that the question be carefully examined.

I	2	3
9	20	The Committee feel that the existence of a large number of grades tends to make the administration of the Department unnecessarily complex creating problems of seniority, promotion etc. resulting in disappointment and discontent among the employees. Much of the time and energy of the Senior Officers of the Department would be taken up by these problems diverting them from the more important problems relating to tax collection. They consider that the number of grades of employees in the Central Excise Department should be reduced. They feel that even if there is need to have different categories of employees for dealing with different kinds of work they may be classified in a few standard groups carrying uniform scales of pay with common seniority for purpose of promotion etc. They recommend that suitable steps may be taken in this direction at an early date.
10	23	The Committee suggest that orders under which every Gazetted Officer in the Collectorate headquarters is provided with a Steno-typist and a Head clerk may be reviewed and the desirability of withdrawing those and authorising the Collectors to sanction the posts where required on merits on each case considered.
11	25	The Committee fail to see why the procedure in the matter of appointment of Advisory Committees in the Central Excise Department should differ with that of Customs Department, and why the trade associations should not be allowed to nominate their representatives to the Central Excise Committees also directly.
12	26	It has been represented to the Committee that the representation of Tobacco growers on the concerned Regional Advisory Committees is inadequate. They recommend that the question be examined by Government in consultation with representative associations of Tobacco growers.
13	28	The Committee observe that the functions of the Advisory Committees have been expressed in negative terms. Further, they fail to see why it is necessary to limit the scope of the Advisory Committees which function only in an advisory capacity. They feel that so long as the powers of final decision rest with the Government there is no harm in allowing the advisory Committees to discuss any matter including the policy behind individual cases but excluding

1	2	3
		individual cases themselves, as also judicial and semi-judicial work. On the other hand it would enable the department to feel the sense of the public with regard to its policies so that if there is scope for improvement therein it could be considered.
14	29	The Committee do not see why the meetings of the Advisory Committees should not be held occasionally in different mofussil areas to suit the convenience of Members of those areas.
15	30	The Committee suggest that in order that the Advisory Committees may grow into effective instruments of public co-operation, the Department may undertake a thorough review of the working of the Advisory Committees and on the basis of it take suitable steps to enthuse them into useful activity.
16	31	The Committee suggest that while reviewing the working of the Advisory Committees the feasibility of associating M.Ps. and M.L.As. therein may also be considered.
17	32	The Committee feel that it would be advantageous if Advisory Committees are set up at the national and local levels so as to associate public opinion with the administration. They have already recommended in para 47 of their 49th Report that there should be a Central Advisory Council to advise the Central Board of Revenue in regard to various duties, including the excise duties. They recommend that the desirability of setting up Advisory Committees below the level of the Collectorate might also be considered.
18	35	The Committee feel that the scope for the simplification of the procedures regarding assessment, levy and collection of duty on unmanufactured products needs to be examined. They suggest that for this purpose a study may be made of the procedures obtaining in other countries where duties on similar commodities are levied and the ways and means of improving the existing system explored.
19	36(i)	The Committee suggest that the feasibility of simplifying the records to be maintained by the growers of tobacco may be considered.
20	36(ii)	While the Department is entitled to take adequate steps to safeguard revenue they should not in that process cause loss or damage to the tax payers. They, therefore, suggest that the scope for simplification of pro-

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cedure requiring the weighment of tobacco be examined. They also suggest that in order to avoid weighment of tobacco at different stages the feasibility of working out on a scientific basis an average ratio or percentage of losses that is likely to obtain in storage depending on weather conditions may be considered.

21 36(iii) The Committee feel that in order to free the growers and curers from any possible hold of wholesale dealers it might be desirable to organise public bonded warehouses in those areas where tobacco is grown on large scale. As the Central Excise Department is much interested in tobacco, the Committee suggest that that Department might take up the question of setting up such warehouses with the Department of Agriculture and the Central Warehousing Corporation. The Department might also encourage formation of Cooperative Societies of tobacco growers to construct and run the warehouses required by them.

22 38—41 While the Committee recognise the need for taking reasonable precautions to safeguard revenue they are not satisfied that it is essential to maintain large establishments to exercise close physical supervision over various stages of production. They feel that trust and confidence are essential ingredients of public administration in a democracy and that it is necessary as much in revenue administration as anywhere else. They suggest that the Department should initiate such steps as would promote that spirit among the tax paying public. They recommend that a beginning may be made at an early date to evolve what the Department itself consider to be right lines of control, that is, to introduce audit type of checks in place of existing physical control over production of Exciseable articles.

23 43 The Committee suggest that suggestions etc. given in para 42 of this report may be examined in consultation with the representative Associations of respective industries concerned or with Central Advisory Council setting up of which has been recommended in the Committee's Forty-Ninth Report.

24 44 The Committee suggest that Excise Department should take steps to see that inconvenience is not caused to the tax payers in calling for *ad hoc* information from time to time.

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25 46 Judging from the complaints heard by them, the Committee cannot help feeling that measures so far taken to ensure uniformity in the interpretations of the Law among different Collectorates, are not adequate. They, therefore, suggest that the representatives of trade and industry may be provided suitable opportunities to point out instances of lack of uniformity so that timely action may be taken to rectify the anomalies. In this matter, the Committee's suggestions to set up a Central Advisory Council *vide* para 47 of their 49th Report and to activise the regional Advisory Committees *vide* para 30 of the present report are particularly relevant.

26 47—50 The Committee note that there is little difference between the prices of *biri* tobacco (broken leaf) and non-*biri* tobacco (whole leaf). In fact in some cases the whole leaf price appears to be higher than the price of the broken leaf. In view of this, the difference in rates of duty had given room to various kinds of mal-practices. They recommend that the entire matter may be carefully reviewed especially in the light of the allegation that there is at present a large scale evasion of excise duty on tobacco.

27 53 It was represented to the Committee that the administration of the Excise duty on cloth had placed manufacturers producing grey cloth exclusively and independent processing works at a disadvantage as compared to composite mills. The Committee suggest that in view of the above feeling among the manufacturers of grey cloth and among the independent processing units, their position *vis-a-vis* the composite mills may be carefully reviewed in consultation with the representatives of the industry to remove to the extent possible, the grounds for hardship, if any.

28 55 The Committee suggest that the basis on which the sizes of Match boxes have been prescribed at present may be reviewed in the light of representations referred to in para 54 of the Report and action taken to ensure that the interests of the cottage and handi-craft match industry do not suffer.

29 56-57 The Committee understand that the basis and the rates at which sales tax on matches is levied vary from State to State. They suggest that the matter may be examined in consultation with the Department of Economic Affairs.

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30	60	The Committee understand that the procedure followed by the Department for determining the value of the cigarettes for purposes of excise duty by reference to the ruling market price has been objected to. The Committee suggest that the feasibility of working out standard rates of discount that may be allowed on the prices may be considered so that the rate of duty chargeable may be determined reasonably and definitely instead of its being left always vague and indefinite.
31	62	The Committee suggest that the cost of collection of tobacco, coffee, tea and all other excises may be computed separately and compared with the cost of collection of similar duties elsewhere.
32	64	The Committee were informed by the Ministry that the cost of Collection of Excise duty has been falling. They do not, however, notice any substantial improvement in this respect. They feel that though there appears to be a fall in the percentage cost of collection to total revenue it is largely due to the increase in cost of revenue on account of increased rates of duty. In fact the actual cost of collection had risen upto 1958-59 by over Rs. 1.50 crores since 1956-57. Though a part of the increase might be due to the introduction of new excise duties, they are not convinced that the expenditure which is being incurred is wholly essential and unavoidable. They recommend that the scope for reducing the cost of collection of Central Excises needs to be constantly explored.
33	65	The Committee observe that the cost of collection between different collectorates varied from 0.9 to 7.0% in 1955-56, from 0.9% to 7.5% in 1956-57 and from 0.9% to 3.7% in 1957-58. They realise that the cost of collection was dependent on factors such as the nature of excise commodity and the revenue potential thereof in each Collectorate. Nevertheless, they doubt whether these reasons would justify such wide variations as from 0.9% to 7.6% between the different Collectorates. They feel that the anomalies in the organization of the Collectorates referred to in paras 7-9 and 11 above might also be partly responsible for the variations in the cost of collection. They hope that the reorganization of the collectorates suggested earlier would help in making the cost of administration uniform and also in reducing it.
34	67-68	The Committee understand that as there was no arrangement to work out the cost of collection of the various

duties commodity-wise, it was fixed *ad hoc* as a percentage of the revenue realized therefrom. They consider such an *ad hoc* procedure as hardly satisfactory since the cost of collection admittedly varies from commodity to commodity and area to area of collection. They feel that commodity-wise costs of collection of various duties would be necessary to determine the economies of their levy. They therefore recommend that steps be taken to introduce a simple system of costing in consultation with the Cost Accounts Branch of the Department of Expenditure to facilitate working commodity-wise costs of collection of various duties.

35 69—72 The Committee observe that the total amount of arrears of excise duty on unmanufactured tobacco has increased from Rs. 1.74 crores at the end of June, 1957 to Rs. 1.84 crores at the end of June, 1958. Further, the percentage of arrears to total revenue in the various collectorates ranges from 1 to 27% that in Delhi being the highest. They cannot, therefore help concluding that the steps taken so far with regard to clearance of arrears have not been effective enough. They, therefore, recommend that the C.B.R. should study the problems carefully and initiate more energetic steps to reduce the arrears of revenue.

36 73 The Committee consider it surprising that information such as the total amount of arrears of revenue from Central Excise, indicating the periods to which they related and the reasons therefor, should not be readily available with the C.B.R. They wonder how in the absence of such information the C.B.R. exercises control over the collection of arrears which should be one of its important responsibilities. They recommend that the C.B.R. should take immediate steps to ensure that such information is called for periodically and have analysed in its office.

37 75 The Committee consider it essential that all refund applications should be disposed of within a year and towards that end all steps must be taken.

38 79 The Committee recommend that the difficulties pointed out in paras 77-78 regarding the settlement of refund /rebate etc. may be examined and steps taken to minimise the inconvenience to tax payers.

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39	81	The Committee are surprised that it has not so far been found possible to evolve a simpler procedure for speedy disposal of refund claims, and suggest that the matter be examined speedily.
40	82	The Committee suggest that in order to quicken the pace of payment of refund claims the feasibility of paying them through Scheduled Banks subject to an indemnity bond being furnished by the Banks concerned without waiting for the verification of the credits may be considered.
41	83	The Committee also suggest that the feasibility of the Central Excise Department Officers taking over the Treasury functions in so far as Central Excise collections and refunds are concerned may also be considered.
42	86	The Committee consider it unfortunate that the Department is quite complacent about the time, ranging from three to six months, being taken to dispose of the appeals. They recommend that steps may be taken to dispose of all the pending appeals quickly and also to ensure that future appeals are disposed off within reasonable time. They further suggest that the position of appeals received, disposed of by and pending with Collectors may be reviewed and similar steps taken to step up the pace of their disposal.
43	87	The Committee consider that it is a fundamental principle of justice that while justice is done it should also seem to have been done and the practice of delivering judgements without stating the Grounds thereof violates that principle and smacks of arbitrariness. They, therefore, feel that it is desirable that every order disposing of an appeal should state the reasons leading to the conclusion contained therein in order to convince the affected parties of the reasonableness of the conclusion and also to enable the intention and meaning of the law to be made better known to the people. The Committee suggest that suitable instructions may be issued to all appellate authorities in this regard.
44	91	The Committee feel that piecemeal changes in rules etc. should as far as possible be avoided. They suggest that the law may be reviewed from time to time and brought up-to-date after making necessary changes in the light of the difficulties experienced in the administration of law and of the requirements of new excises codifying it wherever necessary.

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45 93 The Committee feel that in order to make the Excise Law available to the public ready at hand whenever they require it would be desirable if all the rules, regulations, notifications etc. issued from time to time are collected together and published in a consolidated form periodically by means of monthly or quarterly bulletins. They suggest that the feasibility of issuing such bulletins similar to the Departmental bulletins which are already being issued may be considered.

46 94 The Committee also suggest that important notifications might be published in the local newspapers so that they may receive publicity among larger sections of people.

47 96 As statistics have an important place in modern administration as an aid in the formulation of policies, the Committee suggest that early steps may be taken to ensure that the statistics furnished by the field formations in the Excise Department are complete and accurate. For this purpose, they feel that it would be necessary not only to issue instructions advising the field staff how to collect the statistics from the basic data but it would also be necessary to check how it is being done by periodical inspections and impart them necessary training.

48 97 The Committee understand that there is delay in the printing and publication of statistical publications. They feel that if these publications are to be useful they ought to be published in time. They, therefore, recommend that Government might take suitable measures to avoid the delay in their publication.

49 98-99 The Committee notice that the Annual Review of the working of Department was published irregularly. They wonder if the Reviews published so irregularly serve any useful purpose. They suggest that measures should be taken to publish Annual Reviews of the Excise Department more promptly in future. In this connection, they also suggest that the feasibility of publishing the review along with the annual Report of the Department together with an economic analysis of the information contained therein may also be considered.

50 101 The Committee were informed that the headquarters of the Western Regional Unit was located at Hyderabad for want of suitable office accommodation

at Bombay. They feel that the purpose of the regionalisation of the Directorate of Inspection could best be served by locating the headquarters of a regional unit at a convenient point within its jurisdiction. They, therefore, suggest that the possibility of shifting the headquarters of the Western Regional Unit to Baroda, Poona or Nasik may be considered.

51 102 The Central Excise Department, contributing as it does over Rs. 300 crores annually to the revenues of Government hold a key position in the organisation of Government. The Committee doubt, however, whether the Department is organised well enough to suit its new position. Its organization and procedures were designed at a time when excise was comparatively a minor source of revenue and the number of duties it had to administer were few and simple. As new duties were levied and complexities were introduced into the administration, adjustments and amendments of the existing system were carried out. They feel that these changes have been more a patch work than any attempt at an integrated system.

52 103 The Committee feel that the Department has grown up in a haphazard way employing more men than are really necessary, and following archaic and cumbersome procedures. The Committee, therefore, consider that the time is ripe to cut all dead wood, reduce the Department to proper proportions, introduce simple and modern system of procedure and make it an efficient instrument of tax collection at minimum cost and with maximum of efficiency affording at the same time all conveniences to taxpayers. They recommend that the appointment of a Central Excise Reorganisation Committee to make a comprehensive examination of the organisation and working of the Central Excise Department, on the lines of the Badhwar Committee in the case of Customs and the Tyagi Committee in the case of direct taxes may be considered urgently.

## APPENDIX VII

### *Analysis of the recommendations contained in the report*

#### I. Classification of recommendations

A. Recommendations for improving the organisation and its working (Serial, Nos. 1, 2, 3, 7, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 23, 24, 25, 27, 28, 29, 30, 34, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50 and 51) . . . . . 40

B. Recommendations for effecting economy (Serial Nos. 4, 5, 6, 8, 10, 18, 22, 26, 31, 32, 33, 35, and 52) . . . . . 12

#### II. Analysis of recommendations effecting economy

S.No.	Number of recommendation	Brief particulars
1	2	3
1	4	Implementation of the job analysis undertaken by the Directorate of Inspection regarding evaluation of the staff strength employed in different Collectorates.
2	5	Reduction of staff to the minimum requirements which may be assessed by adoption of suitable work-study methods.
3	6	Review of the working of the M.O.R. Scheme with reference to its effect on the cost of administration.
4	8	Amalgamation and rationalisation of the Customs and Central Excise Departments so as to avoid duplication of establishment.
5	10	Reduction in the posts of Steno-typists and Head Clerks.
6	22	Study of the scope for improvement in the present system of extensive control so that it might not involve maintenance of large field staff.
7	26	Review of the existing difference between the prices of <i>biri</i> tobacco and non- <i>biri</i> tobacco so as to eliminate large scale evasion of excise duty.

1	2	3
8	31	Computation of the cost of collection for each of the Commodities and comparison with the cost of collection of similar duty elsewhere.
9	32	Scope of reduction in the cost of collection to be explored.
10	33	Reorganisation of the Collectorates in order to effect uniformity and reduction in the cost of administration.
11	35	Energetic steps to be initiated to reduce the arrears of revenue.
12	52	Appointment of a Committee to make a comprehensive examination of the organisation and working of the Central Excise Department from the point of view of its efficient and economic working.

