

**PUBLIC ACCOUNTS COMMITTEE  
(1967-68)**

**TWENTY-FOURTH REPORT**

(FOURTH LOK SABHA)

[Para 18 of Audit Report (Civil) on Revenue Receipts,  
1966 and Audit Report (Civil) on Revenue Receipts,  
1967 relating to Customs & Union Excise Duties]



**LOK SABHA SECRETARIAT  
NEW DELHI**

March, 1968 (Chaitra, 1890 (Saka))

Price Rs. 2-05

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			14.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	35
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CORRIGENDA TO TWENTY-FOURTH REPORT OF PAC (1967-68)  
PRESENTED TO LOK SABHA ON 11.4.1968).

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\*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.

## PUBLIC ACCOUNTS COMMITTEE

(1967-68)

### CHAIRMAN

Shri M. R. Masani.

### MEMBERS

- 2. Shri Syed Ahmed Aga
3. Shri C. K. Bhattacharyya
4. Sardar Buta Singh
5. Shri Shivajirao S. Deshmukh
6. Shri R. Muthu Gounder
7. Shri D. K. Kunte
8. Shri N. R. Laskar
9. Shri V. Viswanatha Menon
10. Shri K. K. Nayar
11. Shri Narendra Kumar Salve
12. Shri Yogendra Sharma
13. Shri Sheo Narain
14. Shrimati Tarkeshwari Sinha
15. Shri P. Viswambharan
16. Shrimati Devaki Gopidas
17. Shri P. K. Kumaran
18. Shri Om Mehta
19. Shri Gaure Murahari
20. Shri M. C. Shah
21. Dr. M. M. Siddhu
22. Shri B. K. P. Sinha

### SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*

Shri Avtar Singh Rikhy—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

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\*Declared elected on the 30th November, 1967 *vice* Shri Mohammed Yunus Saleem ceased to be a Member of the Committee on his appointment as Deputy Minister.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Twenty-fourth Report on Para 18\* of Audit Report (Civil) on Revenue Receipts, 1966 and Audit Report (Civil) on Revenue Receipts, 1967 relating to Customs and Union Excise Duties.

2. The above mentioned Audit Reports were laid on the Table of the House on the 28th April, 1966 and 30th May, 1967 respectively.

3. The Public Accounts Committee considered these cases at their sittings held on the 16th October, 1967 (F.N.) and 20th and 21st December, 1967 (A.N.). The Report was considered and approved by the Committee at their sitting held on 18th March, 1968. The minutes of these sittings form part of the Report (Part II).\*\*

4. For facility of reference the main conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix XV).

5. The Committee place on record their appreciation of the assistance rendered to them in their examination of these paragraphs by the Comptroller and Auditor-General of India.

They would also like to express their thanks to the officers of the Ministries of Finance (Department of Revenue) and Transport and Shipping and the Central Board of Excise and Customs and the Bombay Port Trust for the cooperation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;

March 21, 1968.

Chaitra 1, 1890 (S)

M. R. MASANI,

Chairman,

Public Accounts Committee.

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\*The Public Accounts Committee (1966-67) had appointed a sub-Committee to consider para 18 of Audit Report (Civil) on Revenue Receipts, 1966. The Sub-Committee could not take any evidence as the Third Lok Sabha was dissolved on 3rd March, 1967.

\*\*Not printed (one cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

# I

## CUSTOMS (CONFISCATED GOODS)

### *Delay in the disposal of Confiscated Goods—Para 18 of Audit Report (Civil) on Revenue Receipts, 1966*

Audit paragraph disclosed that confiscated lead pencils worth about Rs. 1,83,000 were lying undisposed of since 1958 onwards in Land Customs Collector, Shillong. In 1961, Audit suggested that in order to avoid damage or depreciation in the value of the goods, the goods might be utilised departmentally in accordance with the Board's general instructions. In reply to an Audit query in 1964 regarding utilisation as suggested, the Department furnished the following particulars:—

(1) Total value of pencils supplied to—	Rs
(a) Railways . . . . .	30,244.36
(b) Other Govt. Departments . . . . .	8,941.73
(2) Total credits received so far from Railways and other Govt. Departments . . . . .	28,755.02
(3) Undisposed of pencils . . . . .	1,44,161.62

1.2. In a note submitted to the Committee in May, 1967 the Ministry of Finance (Department of Revenue) stated that the quantity of pencils seized in Shillong Collectorate during the period 1953 to 1961, year-wise, was as follows:—

Year	Quantity		
	Gross	Dozen	Number
1953 . . . . .	146	3	2
1954 . . . . .	2223	7	11
1955 . . . . .	1185	2	3
1956 . . . . .	7955	6	0
1957 . . . . .	882	8	6
1958 . . . . .	2986	10	4
1959 . . . . .	98	6	7
1960 . . . . .	29	6	8
1961 . . . . .	9	10	9
<b>Grand Total . . . . .</b>	<b>15518</b>	<b>2</b>	<b>2</b>

1.3. Attempts were made on several occasions for sale of the pencils through auction

1.4. As the bids offered were below the duty leviable, the bids were not accepted. Pencils were thereafter offered to other Government offices but the demand was for very limited quantity. 2,532 Gross, 11 Dozen and 4 pencils were supplied to Railways and other Departments. In consultation with the Ministry of Works, Housing and Supply, the stocks were transferred to Calcutta Customs House to enable the Stationery Office, Calcutta to inspect and accept the serviceable quantity of pencils for issue to Central Government offices. 12,985 Gross, 2 Dozen and 10 pencils, inclusive of 509 Gross, 1 Dozen and 2 pencils pertaining to Jorhat and Gauhati Divisions, were despatched to Calcutta for disposal. The inspection of stocks by the Stationery office was made from August 1963 to May, 1964. Only 528 gross pencils were found acceptable to the Stationery office in 1965. Thereafter, efforts were made to dispose of the balance by the Calcutta Custom House through auctions.

1.5. The quantity of pencils damaged in storage was about 1,050 gross valued at about Rs. 12,000.

1.6. The total amount realised by auction of pencils and sale to Government Departments is stated as Rs. 2,04,044.

1.7. The book value of the pencils transferred from Shillong Collectorate to Calcutta Custom House was Rs. 2,27,951. The duty leviable thereon at the rate prevailing was about Rs. 2.45 lakhs.

1.8. Referring to the loss on the disposal of the pencils, the representative of the Central Board of Excise and Customs stated during evidence, that the loss could be gauged with reference to the book value of the goods or duty liability. In this case the book value of the goods was undoubtedly higher than the sale proceeds, but the book value was not necessarily the correct value, as it might have been inflated. The witness agreed that due to long storage there had been some deterioration and admitted that pencils worth Rs. 12,000 were eventually disposed of at a lower value. In so far as the duty liability was concerned, there was no loss in the disposal of the pencils. The pencils were disposed of between the middle of 1965 and June, 1966 when the rate of duty was 100 per

cent *ad valorem*. Against the duty liability of Rs. 99,000\* the sale proceeds were Rs. 1,98,000.

1.9. The Ministry's note showed the following details about the dates of auctions and offers received before the confiscated pencils were transferred to the Calcutta Customs House:—

Name of place	Date of auction	Position regarding offers received
1. Imphal	16-1-1955	No offer.
	11-2-1955	"
	10-5-1955	"
	25-6-1955	"
	21-2-1957	Bid list is not available.
	July 1959	
	August 1959	Do.
	February 1960	Do.
	May 1960	File containing bid list is not available.
2. Silchar	10-5-1955	File is not available.
	25-6-1955	File containing bid list is not available.
	27-6-1955	Bid list is not available.
	20-7-1957	File is not available.
	27-6-1958	Do.
	30-7-1958	Do.
	April, 1959	Do.
3. Gauhati & Jorhat	Information is not available as the relevant files were destroyed sometime back.	

1.10. The Committee referred to the Ministry's note stating that the bid lists were not available and asked how in the absence of relevant records, the Board contended that the bids were below the duty leviable. The representative of the Board stated, "My information is based on the reports received from the Collectorate. At that time they were reporting from time to time to the Central Board stating that they were putting the goods up for auction and

\*Audit have stated that it is not clear how the duty liability has now been stated to be Rs. 99,000 by the Ministry of Finance when earlier the Ministry had calculated it as Rs. 2.45 lakhs. Audit have further pointed out that till 20.8.65, pencils were subject to a duty at a specific rate for pencils or as a percentage of the value of pencils whichever was higher. They have concluded :

"Considering the periods of seizure of the pencils and the rates of duty prevailing from time to time, it would appear that the duty leviable at the specific rate would be higher than the duty leviable on the value and this would approximately be Rs. 2.45 lakhs as first estimated by the Ministry. Hence the element of loss of about Rs. 40,000/- on account of duty cannot be conclusively ruled out in the sale of the pencils."

the bids received were not upto fair price that had been fixed for these goods. Whatever bid lists were available, they also revealed that the bids were below the price fixed. The transactions took place 7, 8 years ago and these papers have already been destroyed." The Secretary, Revenue and Expenditure stated, "I understand Board records are there. There is no difficulty in furnishing the extracts." Referring to the destruction of the records of the Collectorate, the witness stated that records were classified for retention according to Rules.

1.11. The Committee desired to be furnished with a note stating under whose orders the files were destroyed. The Ministry in a written note (Appendix I) have stated that bid lists of 1952 and for the period from 10th May, 1956 to 5th August, 1957 in respect of auctions held at Imphal have been destroyed under the orders of the Superintendent of Central Excise, Silchar in accordance with the prescribed departmental procedure. Some bid lists pertaining to auction of about 200 gross pencils only have now been traced, particulars of which have been given in the note.

1.12. The Committee also desired to be furnished with copies of the relevant extracts from the records of these bids available in the office of the Central Board of Excise and Customs. The Ministry have furnished an extract from the statement received under the Collector of Central Excise letter No. 1(17)(ST)-6/62, dated 10th March, 1967 (Board's file No. 30/89/66-L.C.I.) (Appendix II). This statement gives details of auctions attempted in respect of about only 430 gross pencils by the Shillong Collectorate, from 1955 to 1966.

1.13. The Committee asked whether after the initial unsuccessful attempts to auction the pencils at Imphal, Silchar, Gauhati and Jorhat, the Department should not have thought of sending the goods to a bigger place like Calcutta, which would attract a larger number of bidders. The Secretary, Revenue and Expenditure stated, "I agree... that more of flexibility in thinking about the place was called for... I think it should have occurred to us that these are not the places, having tried several times and the obvious thing was to arrange for a disposal at a bigger place which would have attracted bidders. There cannot be any valid explanation except that this was not thought of and it should have been thought of."

1.14. In reply to a question, the representative of the Board stated that in this case the Audit objection was received in May, 1961

and a reply thereto was sent in October, 1964. Asked about the reasons for the delay of about 3½ years in replying to the Audit objection, the Secretary, Revenue and Expenditure, stated, "I feel this is a case of bad delay which should not have really happened." The witness added, 'Last year strict instructions were issued and certain procedure for disposal of old pending cases was suggested.'

1.15. In a note (Appendix I) furnished to the Committee, the Ministry have stated that the Audit note of the Accountant-General, West Bengal was received by the Assistant Collector, Silchar on 3rd July, 1961 and a reply was sent on 20th November, 1961. Subsequently, correspondence continued between the Assistant Collector and the Accountant-General, West Bengal till 8th December, 1964. There has been delay in the Office of the Assistant Collector in replying to the reference received from the Accountant-General, West Bengal. The Collector of Central Excise, Shillong, has been asked to examine if there had been negligence on the part of any official and if so to take suitable action.

1.16. The Committee are not happy over the leisurely manner in which the Customs Department took several years to dispose of the Confiscated pencils in this case. Out of 15,518 gross pencils seized, the bulk of them (15,380 gross pencils) were confiscated during the period from 1953 to 1956. Except for a small quantity of 3060 gross supplied to Railways, Stationery Office and the other Government Departments, the remaining pencils were disposed of through auction by the Calcutta Custom House during the period from the middle of 1965 to June, 1966, that is, 8 to 12 years after their confiscation.

1.17. The Committee find that initially attempts were made to auction 480 gross pencils in small lots at Imphal and Silchar from 1955 to 1959 but there was no offer. (Information in respect of Gauhati and Jorhat is not available as the relevant files were destroyed some time back). They feel that in order to attract bidders, the pencils should have been offered in sizeable lots and, if initial attempts to auction at the above places had failed, the Department should itself have thought of auctioning the pencils at a bigger place like Calcutta as was ultimately done in 1965 and 1966. During evidence, the Secretary, Revenue and Expenditure, admitted that "there cannot be any valid explanation except that this was not thought of and it should have been thought of."

1.18. The Committee are also not able to appreciate why the Customs Department took nearly four years to implement the Audit suggestion in July 1961, that the pencils might be utilised for Government's own requirements.

1.19. The cumulative effect of all this delay was that 1,050 gross pencils, valued at Rs. 12,000, were damaged and Government underwent this avoidable loss. The Committee hope that the Board of Excise and Customs will take suitable measures to ensure that such cases do not recur.

*Measures taken to speed up disposal of confiscated goods.*

1.20. The Ministry of Finance (Department of Revenue) have furnished a statement (Appendix III) showing the value of undisposed of goods as on 1-4-1967 which were confiscated prior to 1963-64 and in the years 1963-64, 1964-65 and 1965-66. The position is as under:—

Period of confiscation	Value of undisposed goods as on 1-4-1967	Value of goods under appeal revision petitioning court case as on 31-7-1967
prior to 1963-64	97,92,957	3,15,552
1963-64	96,68,676	8,38,984
1964-65	1,11,25,805	16,21,092
1965-66	2,10,84,418	20,70,090
	5,16,70,856	48,45,718

1.21. The Ministry have stated in their note that generally, the disposal of confiscated goods has taken a longer time in Bombay, Poona, Nagpur and Bangalore Central Excise Collectorates and Bombay and Cochin Custom Houses. The delay largely occurs in the disposal of consumer goods, the import of which is banned or heavily restricted. Disposal of such goods is mostly through retail sale. Auction of such goods is generally avoided so as to prevent the possibility of the buyers utilising the sale vouchers to cover the receipt and disposal of contraband goods unauthorisedly acquired.

1.22. The Committee desired to be furnished with a note stating the special steps taken by the Ministry to dispose of these goods. In their note the Ministry have stated that for the last few years, Collectors have been repeatedly urged to make determined efforts to dispose of confiscated goods as quickly as possible to the best advantage of Government. Instructions have also been issued that retail prices of confiscated goods all of which may not be in show room condition, be fixed in a realistic manner, i.e. less than the market price for similar goods so as to provide an element of in-

ducement to the buyers. Other special steps taken include the following:—

- (a) Sale of confiscated consumer goods.
  - (i) in bulk to the Canteen Stores Department, Consumers Co-operative Societies|Stores.
  - (ii) in retail through retail shops run departmentally at all important centres.
- (b) Sale to the State Trading Corporation of goods such as cloves whose import is through that Corporation.
- (c) Sale of confiscated trade goods by public auctions as frequently as circumstances warrant.
- (d) Sale of uncut and unpolished diamonds and precious stones by public auctions to import licence holders.

1.23. The Ministry of Finance have added that the question of selling all consumer goods to the National Cooperative Consumers Federation Ltd., (except the goods to be lifted by the Canteen Stores Department (India) and the Cooperative Stores run by the Ministry of Home Affairs) is under consideration.

1.24. Another proposal to entrust the task of disposal of confiscated trade goods to the D.G.S.&D. is also under consideration.

1.25. The progress in the disposal of each Custom House Collectorate is reviewed by the Director of Inspection, Customs and Central Excise as well as by the Board periodically and appropriate instructions are issued.

1.26. It has also been stated in the note that during the period from 1-12-1966 to 31-7-1967, confiscated goods worth Rs. 1,19,65,796 as per details given below, were disposed of as a result of the special drive.

Period of confiscation	Book value of goods disposed of during the period 1-12-1966 to 31-7-1967.
Pre 1963-64	Rs. 37,16,858
1963-64	Rs. 14,72,174
1964-65	Rs. 29,52,982
1965-66	Rs. 38,23,782
	Rs. 1,19,65,796

1.27. During evidence, the representative of the Board stated that if this tempo was maintained, the value of disposals in the last one year might be of the order of Rs. 1.80 crores as against the annual average of the last 3 years of Rs. 1.43 crores. The witness further stated that there would be much better performance by the Department if they succeeded in holding more auctions.

1.28. The Secretary, Revenue & Expenditure, added "the decision to bring the Director General, Supplies & Disposals and the Consumer Cooperatives into the picture was a very recent one hardly going back to a fortnight or so. We will have to see the impact of this also on accelerating the pace of disposal." He stated "the problem is greatly exercising us and we would like to avert the deterioration of goods in storage and to find methods and means whereby consistent with the statutory liabilities, which sometimes came in the way of immediate disposal of goods... we will endeavour to clear this accumulation of undisposed of confiscated goods."

1.29. The Chairman of the Board of Customs and Excise stated that previously consumer goods like blades, cosmetics, watches etc. used to be auctioned and it was found that rings were formed so that bids were not very high. Sometimes the Department got even much higher bids than the normal price of these goods because the merchants utilised the pretext of having bought these goods to cover other smuggled goods. Therefore, five or six years ago, a decision was taken that consumer goods should not be sold by auction and the Department should try to get as near the consumer as possible. Such goods were, therefore, sold to canteens, cooperative stores and directly by retail sale. The prices for the retail sale were fixed very near to the market prices. Sometimes, it took a long time to sell the goods. For instance at one time they had nearly 2 lakh watches, which took time to be sold. These could have been auctioned quickly but that would have created further problems regarding smuggling.

1.30. In reply to a question, the representative of the Board stated that there were roughly 12.820 watches valued at Rs. 14,11,951 pending the disposal as on 1-8-1967. The witness added that lot of difficulties were experienced in disposing of watches till about a year and half ago, when there was a fairly large number of watches pending disposal. But after the issue of the instructions to the Collectors to be more realistic in fixing prices, the Department had been successful in disposing of most of the watches.

1.31. As regards trade goods, the witness stated that these were governed by certain statutory obligations which caused delay. The

Department gave the parties option to clear the goods within a certain period, usually four months. If the party went in appeal, it might take another three to six months to dispose of the case. Thereafter, if the party filed a revision petition, the disposal of the case would take still longer period. Therefore, very often, even in the normal course, the time between the confiscation of goods and their ultimate disposal might range from six to a year or two.

1.32. The witness stated that the Customs Tariff Study Team had looked into these matters and come to certain conclusions. The Department were tackling these problems at various points. First, it was proposed not to confiscate the goods but allow clearance, so that they did not clutter up the docks. Secondly, it was proposed to amend the law so that if a party did not want to clear the goods pending the settlement of a dispute, it could at least transfer them to a private bonded ware-house. At present, in such case, the party could not put the goods in a private bonded warehouse, unless it was informed that there was no room in the public bonded ware-house. With regard to the disposal, the witness stated, "At present, the law is that till the appeal period, that is, till the revision petitions are decided, we cannot get rid of the goods. There may be natural loss because sometimes goods are liable to deterioration naturally. So, we are now taking action for the amendment of the law so that if necessary, that the goods should be disposed of straightway and the sale proceeds kept in deposit pending the appeal and revision petition stage."

1.33. The Committee asked whether it would not be helpful to Government in arriving at a decision in regard to the various alternative procedures for disposal of confiscated goods, if a small committee consisting of persons having knowledge of excise and customs and two or three businessmen was appointed to examine these problems and to advise Government on evolving suitable procedures. The Secretary, Revenue & Expenditure stated, "Speaking for the Department, subject to whatever decision may be taken at a higher level, I will personally welcome the suggestion. We feel that this is the appropriate time when we should work out package measures which will help us in getting the revenue receipts out of these confiscated and seized goods and also prevent their deterioration because goods anyhow have come into the country. So, the suggestion to take the advice of knowledgeable people and businessmen should be welcome and subject to the orders which may be passed, we would like to follow it up."

1.34. The Committee are concerned to note that goods valued at Rs. 5.17 crores confiscated upto 31-3-1966 were lying undisposed of as

on 1st April, 1967. The disposal of goods in the past has been slow resulting in deterioration and pilferage. The Committee note that, as a result of a special drive undertaken by the Customs Department, they were able to dispose of confiscated goods worth Rs. 1,19,65,796 during the period from 1-12-1966 to 31-7-1967. They hope that efforts will continue to be made to maintain the tempo of the disposal of goods. The Committee would like to watch the progress made with the disposal of confiscated goods through future Audit Reports.

1.35. The Committee also find that proposals regarding the disposal of consumer goods to the National Co-operative Consumer Federation Ltd. and of trade goods through the Director General, Supplies and Disposals, are under consideration. They Study Team on the Customs Department have also made certain recommendations in this matter. The Committee feel that it would be helpful to Government in arriving at a decision in regard to the various alternative procedures for the disposal of confiscated goods if a small committee consisting of persons having knowledge of excise and customs and two or three businessmen is appointed to examine these problems and to advise Government on evolving suitable procedures. The Committee would like to know the action taken in this connection.

*Disposal of seized cars.*

1.36. The Ministry have furnished a statement (Appendix IV) showing the position regarding 156 cars lying in the custody of the Customs Department on 31-12-1966 for violation of Customs Laws.

1.37. The witness stated during evidence that in the last ten years, out of 554 vehicles seized or confiscated from all the collectorates (except one collectorate), 400 had been disposed of leaving a balance of 154 vehicles out of which another 39 vehicles had since (31-12-1966) been disposed of and 33 more were ready for disposal leaving a balance of 82 vehicles.

1.38. The Committee enquired about the reasons for delay in the disposal of the cars. The representative of the Board stated that some vehicles were subject matter of court proceedings, some were involved in appeals, revision petitions etc. and some cases were still under investigation.

1.39. In reply to a question, the representative of the Board stated that the vehicles were disposed of through auction. Asked if the Customs Department had tried to co-ordinate with the State Trading Corporation to ensure quicker disposal of confiscated cars, the Chairman of the Board stated, "We will certainly explore the possibility

of making use of the State Trading Corporation for disposal of cars as soon as they become ripe for disposal. Actually, this will be in the line with our recent thinking that we should hand over the trade goods for disposal to the Director General, Supplies & Disposals and to the National Consumer' Co-operation Federation in the case of consumer goods."

1.40. The Committee asked whether it was feasible to release the seized cars to the owners on receipt of a deposit, pending the disposal of the legal proceedings. The Secretary, Department of Revenue and Expenditure, stated "The question was posed by me and the Law Department advised us that under the law, as it stands, physical identification becomes necessary and this is the problem which may have to be got over by some kind of a legislation." The Chairman of the Board stated that except in those cases where on the face of it, the goods (like gold, currency etc.) were liable to complete confiscation, it was now proposed to allow them to be cleared on a bond or deposit pending the penal action. After confiscation, the property vested in the Government under the law and there was no question of its being given to anybody except on payment of fine fixed in lieu of confiscation.

1.41. According to the Ministry's note, the prescribed procedure for maintenance of seized/confiscated cars, including precautions to ensure that they are not damaged while in Customs custody, is as follows:

- (i) Suitable arrangements should be made to protect such vehicles from rain and sun by keeping them in garages wherever possible or by raising temporary sheds.
- (ii) The engine of the vehicle is to be run twice a week for a few minutes to keep the parts under lubrication.
- (iii) when a vehicle is jacked up, the tyres should be deflated and pressed inside so that the rubber portion is detached from the rim.
- (iv) The services of a mechanic should be requisitioned for keeping the vehicles in good order, wherever necessary.
- (v) Proper care should be taken to ensure that the vehicle do not deteriorate and depreciate in value.

1.42. The Committee asked whether there was any machinery to ensure that the instructions laid down by the Board regarding maintenance of seized vehicles were being complied with by the Collectorates. The representative of the Board stated that the

Assistant Collector in the Custom House and in the Central Excise Collectorate, with the help of the subordinate officers concerned ensured that these instructions were complied with. Asked whether the cars which were disposed of at a depreciated value had been maintained according to these instructions, the representative of the Board stated, "A specific enquiry was made and we have been assured that every possible care was taken. As a matter of fact to be doubly sure, I have got reports from Calcutta, Madras, Bombay, Delhi late last night. I have been assured that these cars are garaged in the rented garages where necessary or they have been kept in the Custom House of the Central Excise Headquarters office under proper protection. Of course, in some cases, these vehicles were received in the Customs House of the Central Excise Collectorate in a damaged condition when it was nothing better than junk. Some of these vehicles which came into the country were surrendered to the Customs or the Central Excise Collectorate not on their own motion but with the help of cranes. Some of those vehicles though they carried beautiful names were not worth more than a little sum." The witness further stated, "There might be some stray cases here and there, where proper care has not been taken. Here, I would also say that there has not been reported a single case of pilferage or theft of any part of these cars while they were in the custody of the Customs House of the Central Excise Collectorates." Asked if it was not correct that certain cars lying in the compound of the Bombay Custom House had been removed just before the visit of the Study Group of the Committee in September, 1967, the Chairman of the Board replied, "Last time when I saw them lying in the open, I enquired about it and the Collector told me that he is trying to get rented accommodation. When I rang him up a couple of days ago, he told me that they were removed to covered accommodation. I asked him when and he said, 'about one or two months back'."

1.43. Asked if any measures had been taken to ensure that the cars were not mis-used, the witness stated, "There are specific instructions on the subject. But in the last analysis, it depends upon the officers, the Collector and his sub-ordinates, who have to ensure that these cars are not mis-used." The witness added, "There have been a few occasions where, with the approval of the Board, these cars have been made use of to meet some special exigencies of circumstances. One specific case which I can just now recall is the International Opium Seminar held in India this year. Some cars—one or two—were used in this connection in Delhi and also for going to Agra." Asked if it was legal to use these cars for such purposes, the witness replied, "Strictly speaking it is not." When asked if it

would not render the Department liable for damages for using the cars for that purpose, the witness stated, "They have been used like that once or twice."

1.44. The Committee consider that, as the State Trading Corporation have gathered some experience in handling auction of imported cars, the Board of Excise and Customs may canalise the disposal of confiscated cars through the Corporation so as to get the maximum return. The disposal of the remaining 115 vehicles which were awaiting disposal on 31st December, 1967 should also be expedited.

1.45. The Committee regret that proper arrangements for keeping these cars were not made till September, 1967, i.e., a few days before the Study Group of the Public Accounts Committee were due to pay a visit to the Bombay Customs House. The Committee stress that appropriate arrangements should be made to protect valuable goods from deterioration due to the inclemencies of the weather. Proper arrangements should be made for the maintenance of cars so as to ensure that the maximum price is obtained on disposal.

*Storage of other goods:*

1.46. The Committee asked about the losses suffered by the Department as a result of deterioration of goods due to bad storage. The representative of the Board stated that every possible care was taken to see that the goods might not deteriorate, but still in some cases they did deteriorate. Asked how the Board ensured that goods were properly stored, the Chairman, Central Board of Excise and Customs stated: "There are definite instructions on this point. But, of course, we can certainly not be quite sure that at every place there has been no deterioration. It is quite likely that there may have been at some places or the other and when it comes to our notice we take action on that." Asked whether the Board maintained any record as to the percentage of goods that deteriorated annually, the witness replied in the negative. Asked if it was not advisable to maintain such a record, the witness replied, "We should."

1.47. The Committee would like the Board of Excise and Customs to examine the feasibility of taking proper stock of confiscated goods at regular intervals of six months or a year. In taking stock, particular attention should be paid to determine, if any, suffered by goods in storage so that suitable measures can be taken without delay to arrest the deterioration and expedite disposal of the goods.

**Delay in clearance of confiscated goods entailing heavy bond rent charges—Para 19 of Audit Report (Civil) on Revenue Receipts, 1967:**

1.48. According to an agreement between the Madras Customs House and the local Port Trust, goods confiscated by the Customs Department are removed to a separate warehouse belonging to the Port Trust on which only the bond rent of the scale of rates prescribed by the Port Trust are recoverable. The Port Trust recover the rent from the date of confiscation upto the date of removal of the goods by the Customs Department. In four cases, there was delay ranging from one and a half to seven years in clearing the confiscated goods and the bond rent claims amounting to Rs. 1,55,328 were pending settlement. In two of these cases where the claims amounted to Rs. 1,29,451, the Port Trust had filed suits against the Customs Department. In two other cases involving a sum of Rs. 25,877, the amount realised by the sale of the confiscated goods was not sufficient to meet the Port Trust charges.

1.49. The Committee desired to be furnished with a statement showing the following details in respect of the four cases mentioned in the Audit Para:—

- (a) Date of landing of the imported goods.
- (b) Dates of the adjudication proceedings relating to the import and substance of each proceeding.
- (c) Date of final clearance of the goods.
- (d) Reasons for the delay, if any, in the disposal of goods since they became ripe for disposal.
- (e) Bond rent paid to the Port Trust in each case, value realised by sale of the goods and duty leviable at the time of import.
- (f) The reasons for depreciation in value of the goods whenever the sale proceeds were less than the original value of the goods.

The statement furnished by the Ministry is at (Appendix V).

1.50. The Committee asked the reasons for delay of one and a half years to seven years in removing the goods from the custody of the Port Trust authorities in the four cases referred to in the Audit para. The Chairman of the Board stated that the system prevalent in 1950 was to let the goods remain in the custody of the Port Trust authorities, if the confiscation became a subject matter of appeal or revision petition. Explaining the present position of the two cases which were a subject matter of civil suits, the witness

stated that the Collector of Customs had already taken up the matter with the Chairman, Madras Port Trust in terms of the Agreement. The representative of the Madras Port Trust stated that both these cases had been compounded outside the court.

1.51. The Committee find from the statement furnished by the Ministry that in one of the cases, 1,080 drums of High Speed Diesel Oil valued at Rs. 83,160 landed at Madras Port on 19-6-1950 were confiscated for contravention of the Import Trade Control Regulations on 24-2-1951. The goods were ripe for disposal on 20-8-1954, after the writ petition filed by the party in the High Court was ultimately dismissed on 20.8.1954. Since during the period when writ petition was pending the goods had deteriorated in quality considerably and as a part of the oil was lost on account of leakage, attempts to sell them by auction on 3 occasions were not successful. Ultimately, a private offer of Rs. 16,385.13 was accepted and goods sold in 2 lots and removed from the Port Trust premises on 26-10-1957 and 17-1-1958. The bond rent paid to the Madras Port Trust as a result of a settlement out of court was Rs. 1,00,000.

1.52. In another statement (Appendix VI) furnished to the Committee, the Ministry have stated that due to the storage of the drums in open yard for long time there was considerable leakage of oil from nearly 537 drums, out of the total consignment of 1,080 drums.

1.53. The Committee are constrained to note that during the period of confiscation there was less due to deterioration in the quality of diesel oil and leakage from as many as 537 out of 1,080 drums. The Customs Department had to pay a bond rent of Rs. 1 lakh against the sale proceeds of Rs. 16,385. The Committee are unable to appreciate why it should have taken the Department three years to arrange for the final disposal of diesel oil after the decision for confiscation was upheld by the High Court in August, 1954. The Committee consider that if more business-like methods had been adopted by the Customs authorities it should have been possible to dispose of the diesel oil soon after it became ready for disposal in August, 1954, and thereby save payment of heavy bond rent to the Port Trust. The Committee stress that suitable measures should be taken to ensure that such cases do not recur.

1.54. In another case, eight bundles of steel sheet cuttings stored in the open dump during 1961—1964 deteriorated in value due to exposure and the goods were sold on 29.3.1965, as the case file was recorded by mistake in March, 1962. As against the sale proceeds of Rs. 2,750, the bond rent claimed by the Madras Port Trust was Rs. 7,720.

1.55. The Committee regret to observe that there was a delay of three years in the disposal of the goods due to negligence of the Customs House in recording the file by mistake after disposal of the revision petition. This delay resulted in deterioration of the goods and also payment of increased bond rent.

1.56. In the third case, 925 bags of cement landed on 8.1.1962 were confiscated on 6.8.1962 for misdeclaration. The goods were abandoned by the party and finally sold on 29.3.1965 i.e. 3 years after confiscation for Rs. 710. The cement could not be sold because there was State Control on cement and the permission of the Director of Industries and Commerce, Madras, was required. On inspection, the State authorities declined to give permission for sale as the goods had deteriorated. However, on 12.11.1963, the Director of Industries and Commerce Madras gave consent for auction. The goods were ultimately sold in auction held on 29.3.1965. As against the sale proceeds of Rs. 710, the Port Trust claimed bond rent charges of Rs. 18,156 for the period of 6.8.1962 to 29.3.1965.

1.57. In the fourth case, wire cast glass landed on 31.12.1958, was confiscated on 1.7.1960 as the letter of authority produced by the imported from the licensee was a bogus one. The order of confiscation was quashed by the High Court on 11.1.1962, but the party could not clear the goods even after the court's order against the forged letter of authority and hence the goods were abandoned. The goods were sold by the Madras Port Trust for Rs. 1,16,000, out of which bond rent of Rs. 2,599.35 was paid to the Port Trust. The custom duty leviable in this case was Rs. 31,428.

1.58. From a statement (Appendix VII), furnished by the Ministry, the Committee find that the bond rent paid by the Madras Customs House during the years 1957-58 to 1966-67 was as under:

Year	Bond rent paid
1957-58	411.37
1958-59	805.94
1959-60	993.34
1960-61	34,706.13
1961-62	990.63
1962-63	..
1963-64	5,484.07
1964-65	89.82
1965-66	1,05,152.61
1966-67	2,912.05

1.59. The Committee find that in three of the four cases mentioned above, the bond rent of the Madras Port Trust premises, which exceeded the sale proceeds of the goods, was avoidable. During the years 1960-61 and 1965-66 sizeable bond rent charges were paid by the Madras Custom House.

The Committee suggest that, in the light of experience gained in the working of the Agreement between the Port Trust and the Madras Customs House, a suitable procedure should be evolved expeditiously to dispose of confiscated goods to obviate payment of heavy bond rent.

*Need for speedy clearance of goods from the premises of Port Trusts:*

1.60. The Committee desired to know the time usually taken to confiscate the goods after landing at Ports. In a note, the Ministry of Transport and Shipping have stated the position as under:—

**Bombay Port Trust:—**In a majority of cases, goods are confiscated within two to six months of their landing. However, goods have been confiscated on occasions as long as a year or even more after their landing. The issue of actual order of confiscation is done after investigation and preparation of a *prima facie* case which involves time.

**Calcutta Port Commissioners:—**The time taken by the Customs to confiscate cargoes landed at this Port for infringement of Import Trade Control regulations and other offences varies widely.

**Coachin Port Trust:—**No definite time limit is fixed for the purpose. Goods are confiscated by the Customs Department if the goods imported contravene any of the provisions of the Customs Act, 1962 or Import Trade Control Regulations or any other rules or regulations made thereunder when the Bills of Entry are filed with them for the clearance of the goods.

**Kandla Port Trust:—**The cases of confiscation by the Customs at this port are rare. However, the Customs have confiscated the goods upto 6 months from the date of landing.

**Madras Port Trust:—**The time taken to confiscate the goods has varied from a few days to one year or even more from the date of landing. It is understood that the action for confiscation is initiated only on filing of the Bill of

**Entry.** The final order of confiscation also takes time, until the adjudication proceedings are finalised. It is also noticed that the order of confiscation is communicated to the Port Trust after some delay. In some cases, it is after clearance of the cargo by the Importer on payment of the penalty where such option is given.

**Mormugao Port Trust:—**The time usually taken in the confiscation of goods after landing at the port is between one month and six months.

1.61. The Committee asked about the steps taken to ensure that confiscated goods lying in the custody of the Port Trust authorities were adequately taken care of. The Chairman of the Board of Excise and Customs stated that the first step taken by the Department was that after the goods were confiscated, they were to be removed to the special warehouses rented from the Port Trust or to their own godowns. Asked if any goods were kept in the open, the witness stated that some of the goods like iron and steel, machinery etc. which could not be accommodated in the warehouse were kept in the open.

1.62. Asked about the storage of goods in Bombay Port Trust, the Chairman, Bombay Port Trust stated that whatever space was available in Bombay Port Trust was made use of. Warehouses were built wherever space was available. The position of storage had become acute because of the work which was going on in the Docks in connection with the Dock Expansion Scheme.

1.63. The Chairman, Bombay Port Trust admitted that some items had perforce to be stored in the open. Every effort was, however, made to guard goods and prevent their deterioration.

1.64. Asked if the feasibility of the Customs Department hiring godowns, outside the Port area, had been examined, the Chairman of the Board of Excise and Customs stated that in Calcutta, they had hired a godown and in Bombay, they had hired a warehouse belonging to the Port Trust. Asked if these godowns were sufficient for the needs of the Department, the witness stated that in case the quantum of confiscated goods was more at any particular time, they hired extra space within the premises of the Port Trust, where customs staff was also posted for delivery and receipt of goods.

1.65. The Chairman, Bombay Port Trust stated that in order to avoid cluttering of goods in the premises of the Port Trust, they

wanted the confiscated goods to be moved quickly outside their charge. The witness added that a recent meeting held with the Collector of Customs, Bombay, the latter had promised to find a godown outside the Port area.

1.66. The Chairman, Bombay Port Trust stated, "As far as the Port Trust is concerned, our policy right through has been for better operational efficiency, we would like all these cargoes to be removed from our premises at the most within a month or two from landing. We have powers under Section 64 and 64(A) of Bombay Port Trust Act to sell these goods by Public auction. When we hold a public auction, sometimes the bids may fall short of the reserve prices fixed by the Customs and I would not blame them in not being able to accept them. No body would say that somebody should purchase it at a lower price in an auction and then sell it in the black market at a higher price. We have approached the Government with the request that, where two consecutive auctions prove infructuous because the bids have reached the reserve price, the Government should issue a notification under the Bombay Port Trust Act in respect of such goods, exempting them from the procedure of public auction. Then we can have the same powers as the Customs to sell goods by private treaty at reasonable prices according to our convenience. But unfortunately, I have been told it is not possible to do so. The Law Ministry after examining the matter has advised that the whole Act will have to be amended and such a notification merely cannot be issued. Already some amendments to the Act are on the anvil and this item will also be included in the list of amendments the Government is thinking of in regard to the Bombay Port Trust Act."

1.67. The Public Accounts Committee had repeatedly expressed their concern over the delay in settlement of the dispute which arose in 1950 between the Customs Department and the Bombay Port Trust over the dues payable to Government out of the sale-proceeds of abandoned and unclaimed goods auctioned by the Port Trust authorities (cf. para 7 of Sixth Report; para 77 of Twenty-first Report and para 82 of Twenty-eighth Report—Third Lok Sabha). The Ministry of Finance (Department of Revenue) have informed the Committee in a note (Appendix VIII) that the dispute between the Bombay Port Trust and the Customs House, Bombay for the allocation of the proceeds of sale of abandoned and confiscated goods were finally settled at an inter-departmental meeting held on the 10th May, 1965. The Ministry of Transport have accepted the decisions and instruc-

tions have been issued by them to the Port Trust authorities for implementing them. According to this agreement, the sale proceeds of confiscated goods are to be allocated as under:—

- (1) Expenses of sale;
- (2) Customs Duty;
- (3) Port's landing charges (including wharfage, river dues, double removal) at a single rate and not penal rate limited to a period of 4 months from the date of landing of goods ; and
- (4) Surplus, if any, to Customs.

1.68. It was also agreed that the Customs authorities should take steps to remove confiscated goods to special confiscated goods warehouses as soon as possible and in any case within a week of the confiscation, especially in the case of goods confiscated absolutely. It was also decided that steps should be taken to speed up adjudication proceedings to ensure that as far as possible confiscation, if indicated, is ordered within four months of the landing of the goods.

1.69. Referring to the agreement between the Customs Department and the Port Trust regarding payment of demurrage charges for the confiscated goods the Chairman of the Bombay Port Trust stated, "As Port authorities, we were not very happy about this agreement. As you know, that is why it actually dragged on for so many years. One point on which we were not very happy is that even after confiscation, when the goods are kept in the dock premises, surely we should get ware-house rental at least, whereas with the agreement our ware-house rental is limited to four months. On the Port Trust side, we would be very happy if the goods go outside the Docks quickly."

1.70. The Committee are glad to note that the dispute regarding the sharing of sale proceeds of abandoned and confiscated goods which had been outstanding since 1959 has been settled.

1.71. The Committee note that it has also been agreed (i) that Customs authorities should take steps to remove confiscated goods to special warehouses as soon as possible and in any case within a week of confiscation, especially in the case of goods confiscated absolutely, and (ii) that steps should be taken to speed up adjudication proceedings to ensure that, as far as possible, confiscation, if indicated, is ordered within four months of the landing of the goods.

1.72. The Committee consider that as space in Port areas is limited, Government should keep the matter under constant review and evolve a business-like method for disposal of imported goods which are left either unclaimed by the parties or are confiscated by the Customs.

1.73. From a statement (Appendix VII) furnished to them by the Ministry of Finance (Department of Revenue), the Committee find that there is no formal agreement between the Bombay Customs and Bombay Port Trust with regard to the payment of Bond rent. However, the Port Trust have put in a number of bills which are at present the subject matter of settlement between the Customs House and the Port Trust authorities.

1.74. The Committee hope that these outstanding bills of the Port Trust for Bond rent will be settled early.

*Loss of confiscated goods from the Port Trust sheds—Para 20 of Audit Report, (Civil) on Revenue Receipts, 1967.*

1.75. It was noticed at Bombay Port that a consignment of 64 drums and 2 bundles of Brass Scrap of Rs. 18,046 value imported in April, 1954, was confiscated by the Customs Department on 13-9-1954 for contravention of Import Trade Control Regulations. The order confiscating the goods imposed a personal penalty of Rs. 1000 on each of the alleged importers, and an option to clear the goods on payment of a redemption fine of Rs. 9,000 in lieu of confiscation given. The parties paid the personal penalties but appealed to the Central Board of Revenue against the order of confiscation. The appeal as also the revision petition to the Government of India were turned down. Meanwhile, the confiscated goods were removed to an open yard meant for the storage of confiscated goods in the Docks on 23-9-1954. The yard was guarded by the Customs staff also. At the time of removal, it was noticed that out of 64 drums, 2 drums were short landed and 26 drums were empty.

1.76. As the party did not clear the goods on payment of redemption fine, orders were issued on 28-8-1956 for their disposal. It was found on 29-9-1956 that the remaining 36 drums were also empty. Only 2 bundles which were available for disposal, were sold at Rs. 470 by the Bombay Port Trust on 20-10-1956. The empty drums were destroyed under Customs supervision, as the amount that would be realised by their sale would not even be sufficient to cover the Port Trust dues. Orders of the Government of India writing off the value of stores amounting to Rs. 17,505 being the loss due to theft or fraud have since been obtained.

1.77. Explaining the circumstances leading to the loss of the goods, the Chairman, Bombay Port Trust stated that the goods had landed in April 1954 at a preferential berth (7, Victoria Berth) allotted to the B.I.S.N. Company under an Agreement with them, according to which the responsibility for the cargo was that of the company until the port authorities took it over. The Port Trust took the cargo out of the company's custody on the 18th May, 1954 and removed it to Frere Basin. On the 5th June, 1954, the Shed Superintendent was verbally informed that the Customs were maintaining a special watch on the consignment, and a superficial physical check of the drums was carried out by that officer on the same date. On the 8th June, 1954 (i.e. three days after), the Customs rummaging staff inspected the drums again and three drums were found empty. So, the loss of 3 drums occurred between the 5th and 8th June, 1954. Immediately after the loss was reported by the Customs, a complaint was lodged at the Police Station by the Port Trust. The police did not proceed with the case as the scrap from other drums had also been taken out and stolen scrap could not be identified. A confiscation order was issued on the 13th September, 1954 and the goods were put entirely in the custody of Customs on the 23rd September, 1954, when they were removed to a special barricaded portion of the Frere Basin. The witness admitted "This is a particularly bad case where I feel that out of the 62 drums which were originally imported in 1954, practically no drum contained and brass scrap when it came to be sold in 1956." The witness added that as this case came to his notice after the Audit Para was drawn up i.e. nearly 13 years later, it would not be possible to fix the responsibility of the Watch and Ward Staff of the Port Trust on the beat during the period 18th May 1954 to 5th June 1954. He assured the Committee that special instructions had been issued that if any such case of pilferage came to their notice, they should take immediate action against the person concerned. The witness admitted that there was a departmental lapse in not taking action immediately after the loss came to notice. He promised to hold disciplinary proceedings even at this stage to the extent the records were still available and suggested that the Customs Department should also take similar action against their staff.

1.78. The Committee regret to observe that this is a bad case and indicates negligence on the part of both the Port Trust authorities and the Customs Department. None of the 62 drums of brass scrap (valuing about Rs. 18,000) landed in April, 1954 contained any scrap at the time of the disposal of goods in September, 1956. After the loss of the contents of three drums initially came to the notice of the Customs and Port Trust in June, 1954, special steps should have

been taken to guard against further pilferage of brass scrap. What is worse, even after 26 drums were found empty in September, 1954, the authorities do not appear to have taken any remedial action; it is, therefore, no surprise that nothing was left in the drums by the time of disposal in September, 1956. The Committee understand that the case was taken up by Audit with the Customs House in 1958, but no action was taken on the points raised by them till 1963. The question of fixing responsibility of the staff for the loss should have been examined at least on the receipt of the Audit objection.

1.79. The Committee desire that, on the basis of the records still available, the Customs Department and Port Trust should examine the question of fixing responsibility for negligence and/or complicity of the staff and take necessary disciplinary action against the parties found at fault.

*Remedial Measures taken to prevent Losses.*

1.80. The Committee also desired to know the arrangements made for the custody of confiscated goods at various ports. In a note, furnished by the Ministry of Transport and Shipping, the position has been stated as follows:—

**Bombay Port Trust.**—Prior to confiscation, goods are stored in the uncleared goods warehouses in locks.

**Calcutta Port Commissioners.**—Goods landed from vessels are either stored in the Transit sheds or in the yards depending upon their nature. On receipt of confiscation order or a show cause notice, the goods concerned are secured in lockfast if they are lockfast cargo; otherwise they remain in the Transit sheds or in the yards. At times, such cargo is also removed to Import Warehouses for storage pending clearance by the Customs Authorities. The Customs authorities have taken out on rent a godown at Calcutta Jetties for storage of confiscated cargo. At this godown, only cargo which can be handled manually is stored.

**Cochin Port Trust.**—The goods remain in the Port Trust premises until confiscation orders are issued and afterwards are removed to the confiscated goods godown under the Customs Department.

**Randla Port Trust.**—The goods are kept either in the Transit area or in the uncleared goods warehouses. The Customs have no storage accommodation at this Port.

**Madras Port Trust.**—The goods are kept along with other transit cargo until the order of confiscation is communicated to the Trust, after which the goods are removed and stored in a separate place. The understanding is that the Customs would remove the confiscated packages to their Warehouse within 15 days of confiscation.

**Mormugao Port Trust.**—Except in very rare cases, the goods remain in the custody of the Port Trust even after actually being confiscated by the Customs Department.

1.81. The Committee desired to be furnished with a note stating the steps taken to prevent losses of confiscated goods while in the custody of the Port Trust. In a note, furnished by the Ministry of Transport and Shipping, the practice at the various ports is stated as under:—

**Bombay Port Trust.**—Same security arrangements are provided with respect to cargoes confiscated and lying on the Port Trust's premises, as far other cargoes. With respect to confiscated goods lying stored in No. 5 Warehouse, a Preventive Officer is stationed who keeps guard on the cargo for as long as the Warehouse is kept open. The Customs flying squad also keeps a watch on confiscated cargoes stored in the open.

**Calcutta Port Commissioners.**—The Transit sheds and yards as also the Warehouse where the confiscated cargoes are stored are guarded by the Port Police Force. No special precautions are taken in respect of confiscated cargo.

**Coacin Port Trust.**—The Trust's Watch and Ward and policing arrangements to safeguard against pilferage of goods under its own bailee apply to these cases also.

**Kandla-Port Trust.**—The normal watch and ward precautions are observed.

**Madras Port Trust.**—Prior to the receipt of the communication regarding the confiscation of any package, it remains along with the transit cargo and is, therefore, subject to the general precautions, such as documentary control of cargo accounting, watch by the Port's Security Force, check at the gates, etc.

**Mormugao Port Trust.**—Steps taken to prevent the loss of such goods while these are in the custody of the Port Trust are the Watch and Ward arrangements, whereby such consignments lying in transit sheds are stacked and stored

in compact lots to facilitate direct supervision and surveillance and are stored in lock-fast if storage space permits. In case the consignments are of value, the police are advised from time to time to arrange special watch on such consignments.

1.82. Asked if any steps had been taken to establish proper coordination between the Customs Department and Port Trust to prevent losses of stores, the Chairman, Bombay Port Trust, stated, "We have been holding these coordination meetings from time to time and very recently we went into quite a number of problems. . . . We have been doing all our best in that matter. . . . But I would say that as far as Port authorities are concerned, we are very much interested in getting the cargo off our premises within two months. . . . Every effort is being made, to get the Act amended, if necessary towards that end". Meanwhile, I would also like to make a suggestion that the 'Customs should accelerate their process of confiscation because the longer the confiscation order is delayed, the longer the goods remain in our custody.'

1.83. Referring to the arrangements for watch and ward, the Chairman, Bombay Port Trust stated, "We have got the watch and ward of the Port Trust watching the cargo while it is in our custody. When it is taken over by Customs and confiscated it is mainly their responsibility. But if the goods are inside the Port premises, they have get to be taken out of the gate and therefore our gate-keeper as well as the Customs staff at the gate come into the picture. Certainly these matters have got to be coordinated, in addition to that, we have also got the watch and ward police from the State Government. So, there is a third agency on top of this also. Therefore, the pilferage should not really happen." The witness added, "all that I can say is that if these things are happening, action should be taken immediately against the persons who were supposed to be in that particular beat."

1.84. At the instance of Committee, the Department of Revenue have furnished a statement showing the losses of confiscated goods at various ports since 1955-56 while in the custody of the Port Trust (Appendix VI).

1.85. The Committee find from the statement furnished by the Department of Revenue that the losses at various ports since 1955-56 came to Rs. 1,83,843. The Committee note with concerned that in spite of Watch and Ward arrangements at the Ports by the different authorities, i.e., the Port Trust, the Customs Department and the State Government, pilferages should occur. The Committee feel that with closer coordination between the authorities con-

earned in the interest of tightening the security measures, it should be possible to eliminate the pilferage of confiscated goods while in the custody of the Port Trusts.

*Losses of goods in Custom Houses:*

1.86. The Ministry of Finance (Department of Revenue) have furnished a note giving the following details of losses of confiscated goods while in the custody of the various Custom Houses.

I. BANGALORE CENTRAL EXCISE COLLECTORATE

1.87. The followings goods were lost due to theft from the godown used for storage of confiscated goods and the loss came to notice on 16th March, 1964.

	Rs.
14 Mechanical lighters out of 1024 deposited in the godown alongwith other goods valued at. . . . .	25000.00
1 Silver coin . . . . .	1.00
211 Great gross nylon buttons . . . . .	3,692.50
1 Lungi . . . . .	1.00
22,700 blades . . . . .	908.00
66 Gross Nylon buttons . . . . .	640.00

1.88. The case was handed over to the Police for investigation on 16th March 1964. The police authorities reported that the case was undetectable.

II. BARODA CENTRAL EXCISE COLLECTORATE

Goods Lost	Value
75 cases of Dynamo Lighting Armatures . . . . .	Rs. 306
One small fishing craft . . . . .	Rs. 1,000

1.89. The theft of Dynamo armature occurred on 21st April, 1966 while these were in the custody of the Port Trust in Bhavnagar. The culprits have been brought to book and a police case has been registered against them.

1.90. One small fishing vessel was forcibly taken away by Pakistani intruders on 6/7-9-1964 from Koteshwar Custom House. The vessel was under guard of one Customs sepoys. The Pakistani

intruders were in large number and they attacked the guard suddenly and owner-powered him.

### III. BOMBAY CUSTOM HOUSE

Goods Lost	Value
Cloves—15 Kg.	Rs. 185
One case Nylon Georgette	Rs. 2,805

1.91. A consignment of one hundred bags of confiscated cloves was stored in the warehouse annexe out of which 2 bags of cloves were found stolen. The thief had found entry through a ventilator after breaking open the same at night on 14/15-10-1965. The case remained undetected by the police.

1.92. It was suspected that the Police armed Guard posted there on the night of 6th and 7th December, 1965 pilfered some Nylon Textiles by breaking open the plank of the heavy wooden case containing confiscated goods stored in the verandah of the warehouse. A complaint was lodged with Suptd., of Police and the armed guard was changed. No case could be established by the Police.

### IV. CALCUTTA CUSTOM HOUSE

1.93. In the Calcutta Custom House, there have been two cases of loss of confiscated goods. The details of these two cases are as under:—

(a) Due to paucity of space, a consignment of Glass beads valued at Rs. 26,150/- was kept in an enclosure near one of the strong rooms in the Custom House after investorising and sealing. Suspected pilferage of the goods was reported on 3th April 1961. The contents of the packages were rechecked and out of 9612 packets and 12,491 pieces which were in these packages, 1927 packets and 6225 pieces were found missing. A complaint was lodged with the police on 24th July 1961. The police reported on 4th September 1967 that "the persons responsible for the pilferage could not be fixed."

(b) The following articles valued at Rs. 4207.73 approximately were found to be lost from the custody of the then currency officer between the years 1960 and 1962.

(1) One gold chain weighing 14 tolas Rs. 1800/- approx.

(2) 13.77 cts of Bortz Diamonds valued at Rs. 255.58.

- (3) Rs. 1000/- (Rupees one thousand only).
- (4) Loss of 13 pieces of diamonds valued at Rs. 300/-.
- (5) One Ladies Randol wrist watch—17 jewels—Rolled gold Steel back Rs. 150/- approximately.
- (6) One gold Chain weighing 4 tolas 11 as. and valued at Rs. 393:98 and 1 gold ring weighing 1 tola 14/- annas valued at Rs. 108/-.
- (7) One gold ring weighing 14 annas and valued at Rs. 75:17.
- (8) Ginsho watch 21 jewels, chrome steel back valued at Rs. 125/-.

1.93. These goods appear to have been lost due to the negligence on the part of the currency officer concerned. After necessary departmental investigations the loss appeared to be unaccountable by the officer concerned. A charge sheet was issued to him on 20.10.1965. The departmental proceedings against Shri..... had to be deferred because of a writ issued by the Calcutta High Court.

#### V. GOA CUSTOM HOUSE

1.94. A consignment of 2222 sets of cut thread taps was stored in the warehouse after the consignment had been put up for auction on 9.8.1966 and withdrawn on account of low bid. The loss of 300 sets was discovered on 10.11.1966 when all the packages in the warehouse were taken up for verification.

#### VI. MADRAS CUSTOM HOUSE

Goods Lost	Value
transistor radios . . . . .	Rs. 1,100
30 dozen and 11 metal watch straps . . . . .	Rs. 1,932

1.95. Two confiscated radios and one received from Calcutta were kept in the warehouse from where these were reported by the officer incharge of the warehouse on 14.4.1963 to be missing. The case was thoroughly investigated by the Police and finally treated as undetectable.

1.96. On 15.8.1962, two packages consisting of a steel trunk and one basket were taken up by the Madras Custom House for inventory for the purpose of disposal in auctions. It was then noticed

that the basket which had no seals, contained amongst other things, 13 dozens metal watch straps as against 93 dozen 11 pieces. The goods were not packed in a trunk which could have been locked but were left in a basket without seals or lock and even the unsealed basket was kept in a dark corner in the outer Verandah of the warehouse where it was not under the direct surveillance of the Warehouse Officer. These goods were earlier involved in a fire accident in the same warehouse on 13.10.1961.

1.97. On 28th August 1962 the Collector ordered that the Assistant Collector (Preventive) should make an immediate investigation and fix responsibility for the loss.

1.98. The findings of the Assistant Collector are as follows:—

The watch straps were actually there at the time of salvage operations on 13.10.1961 and should have been lost during the period between the date when the operations were completed and the date when it was taken up for inventory (15.8.1962). It appeared that only a person who knew both the contents and the location of the basket could have included in this pilferage, for it was not possible for a stranger to locate this particular basket, examine its contents, and then pilfer. Hence, the suspicion revolved round the casual labourers who were working in the warehouse both before, during and after the fire incident. There was no evidence to implicate the salvage party or the warehouse staff. It was also not possible to get any evidence against the casual labourers. In the circumstances there was no possibility of either recovery of the watch straps in question or of fixing responsibility on any individual.

1.99. The police with whom a complaint was lodged also reported that the complaint was undetectable.

1.100. It may, thus be seen that in spite of the efforts made by the Custom House to trace the missing watch straps in the warehouse and the investigations conducted for fixing up the responsibility for the loss, it has not been possible either to recover the missing articles or to fix responsibility for the loss on any individual.

## VII. MADRAS CENTRAL EXCISE COLLECTORATE

1.101. 23 Pilot Pens and 4 nibs (valued at Rs. 14.59) stored in the Range Office, Coonoor in 1964 after seizure were found missing

and the loss was detected at the time of transfer of charge of **seized goods** on 1.10.1964.

### VIII. WEST BENGAL CENTRAL EXCISE COLLECTORATE

Goods Lost	Value
	Rs.
Bal bearing—102 pcs	2,040
Dye stuff—2 lbs	60
Dye stuff—6 lbs) } Cloves—2 kg.) }	210
Dye-stuff—3 lbs.	240
Crochet Hooks—25 doz. } Feeding Nipple—4 Nos. }	58
Banana—1 kg.	44
Snuff —1 tin	7

1.102. These confiscated goods were stolen from Bongaon Circle godown on the night of 23.9.1963. The Police could not detect the offenders nor they could recover the stolen goods.

1.103. It was pointed out that during the visit of the Study Group of the Committee to the Customs Godowns/Customs Retail Shops, it had come to notice that certain vital parts were missing from valuable goods like refrigerators, transisters etc. It had also been mentioned to the Study Group that such vital parts were pilfered "out of vindictiveness" so that the goods could not be easily sold.

1.104. The Committee are unhappy to note that there have been thefts of confiscated goods from the Customs House. The Committee would like the Customs House to review their security arrangements in consultation with the Central Bureau of Investigation and the State Police authorities so as to ensure that such thefts do not recur.

1.105. The Committee are perturbed to note that vital parts of valuable goods like refrigerators and transisters are pilfered, thus making their disposal difficult. The Committee desire that Government should take suitable remedial measures to prevent such pilferage so that these valuable goods which have a ready market can be disposed of expeditiously to fetch the maximum price.

**Liability for Losses**

1.106. Asked if there was any legal liability of the Customs Department to pay damages for pilferage or deterioration of goods during the scheduled period, the Chairman of the Central Board of Customs & Excise promised to furnish a note. In that note, the Ministry of Finance have stated that the legal position as examined in consultation with the Ministry of Law in this behalf is as under:—

"It is.....presumed that it refers to period under the respective Port Trust Acts for which the Port Trusts are liable to account for the cargo received by them. So far as the Customs Act, 1962 is concerned, it does not impose any liability on the Customs Department to pay any compensation for pilferage or for deterioration of imported goods lying in the custody of Port Trusts, whether during or after the expiration of the 'scheduled period'. With regard to pilferage, Section 13 of the above Act provides that if any imported goods are pilfered after the unloading thereof, and before the proper officer has made an order for clearance for home consumption or deposit in a warehouse, the importer shall not be liable to pay the duty on such goods except where such goods are restored to the importer after pilferage. Similarly, Section 23 provides for remission of duty on goods which have been lost or destroyed at any time before clearance for home consumption. Thus apart from the remission of duty, the importer has no right against the Customs Department to claim any compensation for pilfered goods or for goods which have been destroyed or deteriorated. The position under the respective Port Trust Act is also the same viz., that no liability attaches to the Customs Department for payment of any compensation in such cases under the Acts as well."

1.107. Asked about the liability of the Port Trust for loss of goods, the Chairman, Bombay Port Trust stated, during the evidence, "Though the legal position is that as mentioned in section 61 (b) of the Bombay Port Trust Act and our liability is that of a bailee and it does not extend beyond seven days of the discharge or landing of the cargo on the wharf, still we have not taken that as a convenient safeguard to say that after seven days, there is nothing that we need do about it and if after seven days, things got pilfered, we need not be worried about it." The witness added, "It is not the responsibility of the Customs to remove the goods from

the Port Trust premises immediately after seven days. The responsibility is that of the consignee. The consignee must clear the goods. If he does not, he cannot file a claim against the Port Trust saying that the goods have been pilfered and therefore, the Port Trust should pay him the damages." The Chairman, Central Board of Excise and Customs stated, "We do not take custody of the goods after seven days. As in Bombay, similarly, in all the other major ports the Customs have only a lien on the goods. In other words, they cannot be removed from what is called the customs area or the dock without the dues of the customs having been paid. So, our dues are only the customs duty as such and till they pay the customs duty or the goods have been confiscated they cannot be removed." The witness added, "The law of the Port Trust itself permits that if the goods are not cleared for two months, they can be sold and disposed of and the charges would be recovered from the party concerned."

1.108. The attention of the Committee has been drawn by Audit to a judgement dated 5-5-1967 of the Supreme Court in the case of two motor vehicles seized in 1947 under the Junagarh State Sea Custom Act which were ordered to be returned to the party by the Trial Court and the High Court and having a bearing on the above issue.

1.109. The motor vehicles were seized in 1947 by the Customs Authorities of Junagarh State under the Junagarh State Sea Customs Act, on the ground that the vehicles were used for smuggling of goods in the State. Between 1947 and October, 1951 the vehicles remained totally uncared for and were sold as unclaimed for Rs. 2213 on 5-2-1952 under an order of a Magistrate passed under Section 523 of the Code of Criminal Procedure. On 6-2-1952, the Revenue Tribunal to whom the appeal filed by the party against the order of confiscation was referred, set aside the order of confiscation of the Customs Authority and directed to return the said vehicles to the respondent. The Trial Court passed a decree against the State Government for Rs. 26797 and the High Court confirmed the decree except to reduce the decretal amount to Rs. 25552. On 5-2-1954, the party filed a suit for the return of the said vehicles pursuant to the above decrees, or in the alternative for their value, namely Rs. 51,736. This was appealed against by the State Government on the ground that they were not liable for any tortious act of its servant.

1.110. The Supreme Court dismissing the appeal, ruled that the State Government had either to return the vehicles in the same condition in which they were seized or in the alternative to pay

their value. In the course of their judgment their lordships laid down following dicta:

- (i) The power to seize and confiscate goods by a Customs Officer is dependent upon an offence having been committed under the Customs Act.
- (ii) The order of the Customs Officer is not final as it subject to appeal and if so decided therein, the property had to be returned to the owner.

.. 1.111. The Committee hope that Government will take due note of the judgment of the Supreme Court and issue suitable instructions in the matter.

## II

### CUSTOMS (GENERAL)

#### Audit Report (Civil) on Revenue Receipts, 1967

##### Customs Receipts—Para 8, Page 16:

The total receipts from Customs Revenue during the year 1965-66 were Rs. 538.97 crores, deprived as under:—

(a) Customs imports . . . . .	5,47,69,45,473
(b) Customs exports . . . . .	2,13,96,740
(c) Miscellaneous . . . . .	4,90,14,534
Gross Revenue . . . . .	5,54,73,56,747
Deduct Refunds and Drawbacks . . . . .	15,76,83,798
Total Net Revenue . . . . .	5,38,96,72,949

2.2. It will be seen from the above that the bulk of the collections is from Customs imports.

2.3. In a note (Appendix IX), the Department of Revenue have furnished the break-up of the total amount of revenue of Rs. 538.97 crores as follows:—

(Rupees in crores)	
(i) Government Departments (Central as well as State) . . . . .	65.14
(ii) Statutory Corporation and } . . . . .	
(iii) Government Companies . . . . .	167.57*
(iv) Private parties . . . . .	322.03
Gross Revenue . . . . .	554.74
Deduct Refunds and Drawbacks . . . . .	15.77
Total Net Revenue . . . . .	538.97

\*Separate figures for statutory Corporations and Government Companies are not available.

2.4. The amount of refunds and drawback paid during the last five years are as under:—

(Rupees in crores)	
1961-62 . . . . .	5.48
1962-63 . . . . .	9.56
1963-64 . . . . .	10.89
1964-65 . . . . .	13.78
1965-66 . . . . .	15.77

2.5. It has been stated that on account of the increase in rates of import duties, the revenue receipts in 1965-66 had increased to Rs. 555 crores as compared to Rs. 411 crores during the preceding year. Out of the sum of Rs. 15.77 crores, the amount of drawback paid during the year 1965-66 was Rs. 6.81 crores, as against Rs. 7.51 crores in 1964-65. The percentage of refunds to receipts was 1.61 per cent in 1965-66 as compared to 1.52 in the preceding year. The value of exports for the year 1965-66 came to Rs. 805.56 crores plus Rs. 3.99 crores re-exports, making a total of Rs. 309.55 crores. Out of these, the value of exports under claim for drawback during 1965-66 was Rs. 58.69 crores.

2.6. Commodities on the export of which drawback exceeding Rs. 5 lakhs was paid during the year 1965-66 were:

Art silk fabrics and yarn, Cinema films, Chemicals and Pharmaceuticals, Paper products, Electric fans, Plastic goods, Mild Steel products, Staple fibre yarn & fabrics, Footwear, Rubber products, Articles made of Stainless Steel, Cycles and cycle parts, Gunny bags. Articles made of Brass, Tea Chests, Cast iron products, Polythene-lined jute bags and Motor vehicle parts.

The above includes items on which customs as well as central excise duties collected on materials used in the manufacture of the articles are paid as drawback on export.

2.7. The Committee desired to know what other incentives (including subsidy) have been provided for the export of these commodities. In a note (Appendix X) furnished by the Department of Revenue, it has been stated that during the year 1965-66, incentives were provided in the form of import entitlement, cash assistance and concessional railway freight as shown in Annexure 'I'. In the case of export products made out of iron and steel there was a provision for supply of indigenous iron and steel upto the extent of replenishment at special concessional prices (approximately equivalent to international prices). Import entitlements were also granted in part to make available the imported raw materials required in the production of exports but certain additional quantities of imported raw materials were also generally allowed under these schemes for use by the importer for his own production for the home market or for transfer to other manufacturers subject to rules in this behalf.

2.8. Certain direct tax concessions were also available against exports performance as shown in Annexure 'II'. These rebates

were intended to give some edge to sale in export markets instead of the home market and were of minor quantitative significance.

2.9. The Committee also desired to know whether the Revenue Department or any other Ministry of the Government of India were keeping any record showing the financial effect of all these concessions and if so, what was the total concession obtained per unit of export in the case of the commodities on which a drawback of over Rs. 5 lakhs had been paid. In their note, the Department of Revenue have stated that the Ministry of Commerce kept under periodical review export performance of all commodities eligible for various forms of assistance, and the concessions were adjusted from time to time in the light of emerging circumstances like fluctuation in international prices, changes in marketing conditions abroad and changes in internal production and demand.

2.10. The Committee are not able to assess from the above reply the cumulative effect of the various forms of assistance that are admissible on exports. The Committee desire that the Ministry of Commerce in consultation with the Department of Revenue should conduct a study and furnish a statement in respect of selected commodities (which will be representative of export articles) exported during a specified period in the year 1965-66 (say October 1965 and March 1966) showing the details per unit of (a) the cost of production, (b) F.O.B. value of the export, (c) wholesale market price of the article in India, (d) drawback paid on the article, (e) cash assistance, (f) import entitlement, and (g) any other incentives or concessions that were admissible during the period.

*Non-levy of Countervailing Duty—Para 11 (ii) (a) & (b), pages 17-18*

2.11. (a) With effect from 2-2-1963, a provision was made in Section 2A of the Indian Tariff Act, 1934 for the automatic levy of countervailing duty on imported articles. But the Government of India issued instructions at the same time stating that the provision in the Indian Tariff Act would not affect the practice obtaining before 2nd February, 1963 in the matter of levy of countervailing duty or exemption from countervailing duty on various articles.

2.12. Accordingly, the practice in a major Custom House was not to levy countervailing duty on imports of steel conduits, seamless steel casing pipes, steel boiler tubes etc., assessed to basic customs duty under Tariff Items 73(19), 72(c) and (3) respectively of the Indian Custom Tariff, as the Government of India had ordered earlier in May 1962, that the levy of countervailing duty on imported Iron or Steel products should be restricted only to those articles falling under item 63 Indian Customs Tariff and its sub-items. It was pointed out that notwithstanding the classification of these articles

under different items for assessing them to basic customs duty, countervailing duty was leviable with effect from 2nd February, 1963 as per the statutory provisions, as they conformed to the definition under item 26AA Central Excise Tariff. The Custom House thereupon issued less charge notices for Rs. 92,507 and referred the matter for clarification to the Central Board of Excise and Customs in November, 1964. The Government of India ruled in June, 1965 that countervailing duty should be levied on all Iron and Steel products which are specifically mentioned under item 26AA Central Excise Tariff but that the orders should not be applied retrospectively to the disadvantage of the importers. This has resulted in a loss of revenue of Rs. 2.08 lakhs in the cases noticed so far.

2.13 (b) Likewise, countervailing duty was not also being levied by a Custom House on Lithophone imported after 2nd February, 1963, as no countervailing duty was chargeable on the article prior to that date. It was pointed out that the Ministry's instructions for the maintenance of *status quo* had no statutory backing and hence, in the absence of a specific exemption notification under Section 25 of the Customs Act, 1962, Lithophone was chargeable to countervailing duty with effect from 2nd February, 1963 under Section 2A of the Tariff Act. While the matter was under correspondence with the Custom House, the Government of India had on a reference from another collectorate decided that countervailing duty should be levied on Lithophone with effect from 1st February, 1965.

2.14. The non-levy of countervailing duty on imported Lithophone during the period from 2nd February, 1963 to 31st January, 1965 had thus resulted in loss of revenue of an aggregate amount of Rs. 50,908/- in 43 cases at the Custom House. In another Custom House, countervailing duty of Rs. 62,976 had not been levied on 97 cases of similar imports during the same period. The total loss of revenue on this account has come to Rs. 1,13,884.

2.15. The Committee desired to be furnished with information on certain points. The replies of the Department of Supply are given below:—

*Point (i).*—When issuing instructions that the provision in the Indian Tariff Act would not affect the practice obtaining before 2-2-1963, was the Law Ministry consulted? What was their opinion in the matter?

*Reply.*—The Ministry of Law were not consulted in the matter as the legal position in regard to the levy of countervailing duty consequent upon the introduction of Sec-

tion 2A in the Indian Tariff Act was known to the Department. There was no doubt that legally countervailing duty was leviable. However, the Department had decided as a matter of deliberate policy not to levy countervailing duty on any article on which it was not leviable already. The general position is explained in para (iii) below.

**Point (ii).**—Even as early as July, 1964, the Public Accounts Committee were informed that the provision for the automatic levy in the Tariff Act had led to another complication. As Government would appear to be seized of the problems arising therefrom in July, 1964, why was not the legal position examined and suitable action taken to put the levy beyond doubt?

**Reply.**—The other complication intimated to the Public Accounts Committee in July, 1964 was the levy of countervailing duty on articles on which such levy was not intended but which became legally leviable due to the omnibus provisions of Section 2A. The legal position was not in doubt and hence no reference was made to the Law Ministry. The general position is explained in para (iii) below.

**Point (iii).**—The decision in June, 1965, to levy countervailing duty on all Iron and Steel products which are specifically mentioned under item 26AA of the Central Excise Tariff and that in January, 1965 to levy countervailing duty on lithophone from 1-2-1965 confirms that the duty was legally leviable from 2-2-1963 itself. The period of over 2 years taken in deciding the levy has been led to avoidable loss of revenue. While ordering in 1963, the continuance of the *status quo* in levy of countervailing duty was each such case gone into? If not, what were the reasons therefor? If the considerations for the decisions taken in 1963 and 1965 were different the same may be elucidated for the information of the Committee.

**Reply.**—Attention in this connection is invited to Shri D.P. Anand's D.O. No. 20/99/66-Cus. I, dated 20-3-1967 addressed to Additional Dy. Comptroller & Auditor General of India, wherein the general question has been discussed at length. When Section 2A in the Indian Tariff Act was enacted there was no intention to charge

countervailing duty on articles on which it was not being charged upto then. In line with this intention the position was examined. In respect of articles which came to notice appropriate exemption notifications were issued to achieve the desired objective. However, not all such articles could be exhaustively listed and therefore, in respect of articles which did not come to notice then, the object was achieved by issuing orders to Custom Houses to maintain *status quo* and to bring such cases to Government's notice for issuing exemption notifications. Accordingly, a number of specific cases were received from Custom Houses and appropriate exemption notifications were issued.

By 1965, the position had settled down. Another important factor which emerged by that time was the pressing need for raising additional resources. It would be recalled that regulatory duty was imposed in February, 1965. This was followed within a few months by the second Finance Bill which raised the rates of import duties on a wide range of commodities. It was also decided to withdraw various exemptions granted through exemption notifications or through Government Orders. Exemptions from countervailing duty on various items like iron and steel products falling under items other than item 63 and its sub-items were likewise reviewed and it was decided as a matter of policy to withdraw the same in the context of the various other measures taken to augment resources. It cannot, therefore, be said that there was delay in finalising the issues raised by Section 2A. The fact is that circumstances had changed and in the new context a change of policy was effected.

*Point (iv).*—Has the full extent of the loss of revenue in all the Custom Houses from 2-2-1963 to 9-6-1965 due to the non-levy of countervailing duty on Iron and Steel products been determined? What is the total loss?

*Reply.*—The Collectors of Customs have reported that there would be no separate record of the steel products which had been passed without levy of countervailing duty during 2-2-1963 to 9-6-1965. The only way to locate previous clearances would be to go to the original bills of entry. This can be done only after listing such bills

of entry from the daily lists for the relevant period. The daily lists may not show the detailed description of the goods to indicate that the goods were conduit pipes etc. and the information may have to be supplemented by collecting the bills of entry and if necessary, invoices and specifications etc. from the importers. To collect the information, considerable time and labour would have to be spent in going through large number of documents covering a period of over three years. All this would necessitate taking away several persons from their normal duties and posting them on this specific work for a considerable time. In view of these difficulties, it is requested that the requirement regarding the collection of data of revenue foregone may be waived as a special case. If, however, it is still considered that the figures should be obtained, it would be done but it is likely to take some time. It may, however, be added that there was no loss of duty in the sense that lower duty was collected as a matter of deliberate decision by the Government which had the power to exempt. The correct form may not have been adopted in ordering the exemption, but in substance there has been no real loss of revenue.

2.16. The Committee note from the Ministry's reply that when section 2A was introduced in the Indian Tariff Act, there was no intention to charge countervailing duty on articles on which it was not being charged till then. This interpretation of the legal provision for the omnibus levy of countervailing duty is open to doubt. Once a statutory provision has been made from a particular date, the Executive instructions have no legal basis, whatever other considerations might have weighed with the Ministry for resorting to such a course of action. The executive decisions taken on different dates in several cases to levy the countervailing duty and that too only when they were brought to the notice of the Government of India by Audit had resulted in the provisions of the law not being uniformly applied in all the cases wherever the levy was attracted. The non levy of countervailing duty till such time as the decisions were taken can only be treated as the foregoing of revenue.

2.17. In so far as the case of Iron and Steel products is concerned, if it was the intention to restrict the levy only to articles falling under item 63 Indian Custom Tariff and its sub-items even beyond 2nd February, 1963, an exemption notification could have been issued

simultaneously with the other notifications on that date as the Ministry were fully aware of the difficulties arising out of the levy while issuing executive instructions in 1962. Even though these instructions governed the levy of a countervailing duty on 2nd February, 1963, no such exemption notification has been issued and, according to the Ministry's own admission, the position regarding Iron and Steel products escaped notice. The lapse is regrettable.

*Excess Refund of Customs Duty—Para 14, page 20.*

2.18. A sum of Rs. 64,649.90 was realised as duty by a Custom House on a consignment of "component parts of Petroleum Dispensing and Metering Pumps" and 'Electric Motors' imported in April, 1963. It was decided on an appeal filed by the party that the consignment should be reassessed to duty on reduced value. The total duty payable according to the reduced value came to Rs. 58,656.31 but was erroneously worked out by the Custom House as Rs. 48,656.31 and a sum of Rs. 15,993.59 refunded in July, 1965 instead of the correct sum of Rs. 5,993.59. The excess refund of Rs. 10,000 had also escaped the notice of the Internal Audit of the Custom House. The Custom House has since recovered the sum of Rs. 10,000 from the party.

2.19. In a note, furnished to the Committee, the Department of Revenue, stated, that the refund in this case was pre-audited by the Internal Audit Department. Their failure to detect the error was due to inadvertence. The Ministry are satisfied that there are no *malafides* in the grant of excess refund.

2.20. The Committee regret that due to an error, an excess refund of Rs. 10,000 was paid in this case. What is worse, the error was not detected by the Internal Audit Department who pre-audited the refund. The Committee note that the amount of Rs. 10,000 has since been recovered. The Committee stress that such mistake should not recur.

*Excess payment of overtime fees and non-recovery of overtime fees—Para 15 (i), pages 20-21.*

2.21. Overtime fees are payable to the preventive staff of the Customs department for work done out of working hours or on Sundays and Holidays. A day is divided into three periods viz., 6 A.M. to 6 P.M. and 6 P.M. to 12 midnight and 12 midnight to 6 A.M. for which the Government of India have prescribed different rates of overtime fees as payable to the Staff. According to Board's orders of August 1954, when the overtime duty hours of a Government servant overlap a part of the following day, for the purpose

of overtime fees the whole of it should be regarded as one continuous spell of duty and fees at hourly rate and not the minimum fee for the latter portion of the duty should be paid. There was divergence of practice in the Custom Houses in applying the above orders to Government overtime and Merchants overtime. In June, 1963 and August, 1963, the Board clarified that the orders of August, 1954, were applicable to both Government overtime and merchants overtime and to cases of overtime extending to or overlapping the next period in the same day respectively.

2.22. In case of overtime work on behalf of merchants extending from one period to another the practice at the Bombay Custom House has been to calculate the overtime fees as for two different spells treating the overtime in the succeeding period as fresh posting and payments made at the hourly rate for the first period and minimum or fixed fee for the second period or *vice versa* or two minimum fees for both the periods whichever was advantageous to the officers concerned. This practice was not changed even after receipt of Board's orders of June and August, 1963. When this was pointed out, the collector referred the matter again to the Government of India for continuance of the existing practice. The Government of India ordered in December, 1965 that the practice at Bombay Custom House should be changed with immediate effect and the excess amount paid to the staff recovered in suitable instalments. Even after these orders were issued, there were still certain cases where overtime was paid incorrectly. It has been ascertained from the Custom House that between June 1963 and April, 1966, a sum of Rs. 40,381 had been over paid to 394 Officers. The Collector has reported in June, 1966 that a programme of recovery of this sum was being drawn up.

2.23. The over payments in other Custom Houses in similar instances amount to Rs. 6,117. The Ministry have replied that after the issue of the orders in August, 1963 there have been many representations from the staff against the restrictions imposed and that the whole matter is under examination with a view to finding out whether the pre-August 1963 position cannot be restored.

2.24. In a note, furnished to the Committee, the Department of Revenue have stated:

"It has been reported by the Collector of Customs, Bombay that the Board's orders dated 26th August, 1963 were not received by him and that this was brought to his notice by the Accountant General, Bombay in November, 1964. After discussing the matter with the other Collectors, he referred the matter to the Ministry in March, 1965 for re-consideration. In April, 1965 the

Ministry asked him to send some further information which was received from him in September, 1965. Final orders were issued to him in December, 1965, asking him to recover the excess payments. It took about 3 months for him to work out the excess payments in respect of 394 officers and he therefore commenced the recovery of the amounts only from 1-4-1966."

"Out of the excess payments of Rs. 40,381, a sum of Rs. 26,472.10 has already been recovered upto 1.1.1968 and the balance is being recovered in monthly instalments."

2.25. The Committee note that, out of excess payments of overtime fees amounting Rs. 40,381, a sum of Rs. 26,472 has been recovered and the balance is being recovered in instalments.

2.26. The Committee fail to understand how the Board's orders dated the 26th August, 1963, were not received by the Collector of Customs, Bombay. They desire that, an enquiry may be made into the reasons for non-receipt of these orders by the Collector and remedial measures taken to ensure that important orders issued by the Board are promptly transmitted and received by the Collectors. *Misappropriation of Government money arising from defalcation by a Custom Houses Clerk—Para 17, pages 22-23.*

2.27. The cashiers in the Preventive Department of Bombay Custom House were normally receiving cash from the public towards payment of baggage duty, fine and warehouse rent only upto 4.00 P.M. on a working day. In December, 1955, a special order was issued providing for receiving payment even after 4.00 P.M. in urgent cases on specific orders from the Assistant Collector of Customs, or the Chief Inspector. Under this provision, the amount to be collected should be received by a Preventive Cashier and entered in the registers maintained for this purpose by a Preventive Cash Clerk. The amount so collected should be lodged in the Customs Warehouse for safe custody under the seal of the Baggage Inspector and sent to the Customs Treasury along with the relevant register on the next working day for credit in the accounts. The Baggage Inspector was personally responsible for ensuring the proper maintenance of the registers as well as the due remittance of the cash into the Customs Treasury the next day.

2.28. In practice, however, both the collection and accounting of the cash received after 4.00 P.M. were being done by an Upper Division Clerk of the Preventive Department, instead of two persons viz., the Preventive Cashier and the Preventive Cash Clerk, as envisaged under the orders. Neither a bond nor security for handling the cash was taken from the Upper Division Clerk.

2.29. An enquiry initiated on an objection of the Internal Audit Department of the Custom House in August, 1963 pointing out a short credit of Rs. 1000 out of the money collected from a passenger revealed that the Upper Division Clerk entrusted with the above work, did not credit into the Customs Treasury all the amounts he received. In some cases he did not enter the amounts in full and in some other cases entered them only in part in the Duty or Warehouse Rent Registers for crediting the same in Treasury. He had thus defalcated a sum of Rs. 15,968 comprising Rs. 9,240 collected as baggage duty during January and March, 1963 and Rs. 6,728 collected towards warehouse rent from 1-4-1962 to 2-7-1963.

2.30. The full amount defalcated has not been ascertained by the Custom House as some of the files and documents were found to be either destroyed or wanting. The Clerk concerned, it is reported, was convicted for the offence of defalcation and sentenced to 9 months rigorous imprisonment. The Custom House has stated that it is considering the feasibility of recovering the amount defalcated from the individual. The Ministry have stated that the defalcation had occurred because of non-observance of prescribed procedure and that revised instructions have been issued in July 1966.

2.31. In a note furnished to the Committee, the Department of Revenue have stated that the initial scrutiny of the relevant records/documents by the Customs Authorities at Bombay, had shown that the clerk had defalcated a sum of Rs. 15,968.41 comprising duty amounting to Rs. 9,239.91 and Warehouse Charges amounting to Rs. 6,728.50. Further scrutiny of the relevant records for the entire period of the clerk's posting to the table at which the defalcation occurred has revealed that duty amounting to Rs. 953.78 earlier thought to be defalcated had, in fact, been credited. However, Collector has reported certain further possible irregularities, viz.

(1) a sum of Rs. 454.05 collected on Detailed Duty Receipts may not have been credited,

(2) a sum of Rs. 11,884.05 representing duty in respect of 49 Baggage files may not have been credited,

(3) 20 books of Detailed Duty Receipts are presently not traceable and 59 baggage files in respect of which duty and/or Warehouse rent may have been collected are also not presently traceable.

2.32. On the other hand the Collector has reported that in the Baggage Duty Register having entries for the period 24-8-1960 to 22-3-1963 there are no credits for the period 24-6-1962 to 17-1-1963.

This indicates the possibility that there may have been another register for this period or some pages may have got torn. If so, the amount reported to have been defalcated will get reduced to the extent that credit entries are recorded therein.

In view of the position stated above, it has been decided to carry out a thorough enquiry into all aspects of the matter and a special officer is being deputed from New Delhi to handle the same. Full information could, therefore, be furnished only after the contemplated enquiry has been completed.

2.33. No part of the defalcated amount can be recovered from the clerk as he appears to be too poor. On account of his financial position it has also not been considered feasible to recover the amount by filing a civil suit against him. He is living in poverty. Enquiries made with the assistance of Revenue Authorities at Ulhasnagar near Bombay, where he normally resides, confirm that he or his family do not possess immovable property and that he is in indigent circumstances. The Postal authorities have stated that he has no saving bank account with the Post Office.

2.34. The Committee desired to be furnished with information on the following points:—

- (i) Whether the Registers in which the transactions were recorded were seen by the Baggage Inspector or the Internal Audit Department during the period the defalcation took place? If not, what were the reasons for not doing so?
- (ii) The qualifications prescribed for the handling of cash by the staff of the Preventive Department. Is any security taken from them for handling cash? If not, what are the reasons therefor?
- (iii) Remedial steps taken to prevent the recurrence of such frauds in the Custom House.

2.35. The replies of the Department of Revenue to the above points are given below *seriatim*:—

- (i) During the period of the defalcation the Baggage Duty and Warehouse Rent Registers were not scrutinized by the Baggage Inspector and the Internal Audit Department did not regularly audit the Registers during the said period. The reasons for this are being enquired into.
- (ii) No special qualifications are prescribed for the handling of cash by the staff of the Preventive Department. The

cash is received and handled by Preventive Officers posted to baggage work (Sea Port and Airport) Divisional Offices and Dock gates.

2.36. At present, security bonds are not required to be taken from the Preventive Officers, who have to collect and handle cash because such officers do not collect moneys regularly and the collection is incidental to the performance of their executive duties. Further, they are liable to change of posting at short notice and these officers are not paid any special remuneration for the handling of cash.

- (iii) The defalcation took place not due to any defects in the prescribed procedure but due to human failure at the primary and supervisory levels including Internal Audit Department of the Custom House. However, in order to minimize the number of occasions on which cash has to be collected on an emergent basis, the regular collection hours, which originally extended to 4.00 P.M., have now been extended upto 4.30 P.M. Further, the Audit Clerk exercising credit checks has now been specifically instructed to verify the endorsement made by the cashier of the Baggage Department regarding cash receipts and passengers' full address on the counter-foil of the Detailed Duty receipts. He has invariably to verify whether the amounts of duty, fine, penalty, less charge and warehouse rents are entered in the Baggage Duty Register and Warehouse Rent Register, as also whether the cash has been credited into the treasury. In addition, an audit of serially numbered forms on which amounts are collected is required to be carried out once a quarter with a reference to recovery and credit of the amounts by an Upper Division Clerk and his immediate supervisory head in the Internal Audit Department.

2.37. The Committee take a serious view of the mis-appropriation of Government money arising from the defalcation by a Customs House clerk in this case. They would like to know in due course the total amount misappropriated by the clerk and the action taken as a result of the enquiry into the matter. The Committee also desire that necessary action should be taken against officers at the supervisory level for their contributory negligence which made the defalcation possible.

2.38. The Committee note the remedial measures taken by the Department to prevent a recurrence of such defalcations. It has

been suggested by Audit that the following additional measures may also be adopted:—

- (a) The opening of all registers to record transactions for collection of cash should be specifically authorised by the Chief Accounts Officer of the Customs House and be maintained in the forms approved by him. The cash registers so authorised to be maintained should be put up to the Chief Accounts Officer every week whether any transactions have been recorded therein or not. This will enable him in keeping track of the registers in use in the various departments of the Customs House and whether the transactions, if any, recorded therein are duly credited into the treasury and incorporated in the accounts compiled with him.
- (b) The withdrawal from operation or closure of any of the registers in use should also be done with the approval of the Chief Accounts Officer.

2.39. The Committee will like Government to examine the above suggestions of Audit for early implementation in order to eliminate the shortcomings noticed in the existing procedure which made the defalcation possible in the present case.

*Disposal of seized skimmed milk powder—Para 18, pages 23-24.*

2.40. In a Customs and Central Excise Collectorate, seized skimmed milk powder weighing 14,559 lbs. was sold by private negotiation between 22nd October, 1964 and 9th December, 1964. This rate was the controlled price fixed by the Government of West Bengal for the period 26th February, 1959 to 26th September, 1964. With effect from 26th September, 1964 the skimmed milk powder became a decontrolled item and hence the Custom House was not bound to sell the milk powder at the controlled rate. In reply to an audit query enquiring the reasons for selling the skimmed milk powder at the controlled price even after its cancellation by the State Government, the Department stated that the order cancelling the ceiling price was received by the Collectorate only on 20th January, 1965. When the Custom House sold skimmed milk powder at the market rates during February, 1965 to June 1965 the average price realised was Rs. 2.50 per pound. Thus the sale at the controlled price of 72 paise per lb. when it was no longer applicable had thus resulted in an approximate loss of revenue of about Rs. 25,900. This could have been avoided had the Collectorate taken timely note of the decontrol order and verified the prevailing market rate at the time of sale of the milk powder.

2.41. The Committee desired to know whether there were any other instances in the said Customs and Central Excise Collectorate in which skimmed Milk Powder was sold at the controlled price after the item was decontrolled by the State Government. In a note, furnished to the Committee, the Department of Revenue have stated in the West Bengal Central Excise Collectorate a further quantity of 15,135.60 lbs. of milk powder pertaining to different customs units as indicated below was sold to M/s. Bashirhat Wholesale Consumers' Co-operative Society, Bashirhat on different dates at the controlled price of 0.76 paise per lb. after the item was decontrolled by the State Government:—

(i) Bashirhat Preventive Post . . . . .	10,752.00 lbs.
(ii) Petrapole Circle Godown . . . . .	3,230.24 lbs.
(iii) Tentulia Customs Preventive Post . . . . .	1,153.36 lbs.
TOTAL . . . . .	15,135.60 lbs.

The Total Sale price realised was Rs. 11,503.00.

2.42. The Department of Revenue further stated that out of 15,135.60 lbs. of milk powder sold after the cancellation of the Control Order dated 26th February, 1959 in Petrapole circle of Krishnanagar Division of West Bengal Collectorate, a quantity of 10,752 lbs. of milk powder was sold on 28th October, 1964 before the publication of the cancellation order in the Calcutta Gazette (on 26th November, 1964) and the remaining quantity of 4,383.80 lbs. was sold in March/April, 1965 at the price of 76 paise per lb. as the Assistant Collector concerned was not aware that the State Government Control Order No. 6309—Milk dated 26th February, 1959 had by this time been cancelled.

2.43. A copy of the State Government decontrol Order No. 6309—Milk dated 24th September, 1964 was received by the Assistant Collector, Land Customs, West Bengal, Collectorate, Calcutta in January, 1965 from the State Government on a specific reference from him, for the purpose of sale of skimmed milk powder stored under his control. A copy of the de-control order received by him was supplied by him to Assistant Controller, Siliguri and Superintendent of Customs, Cooch Behar, as some queries on this matter had been received from them. A copy of the cancellation order was not communicated by the Assistant Collector either to the Collector or to

any other Assistant Collector. The note further states that: "It was not incumbent on the Assistant Collector of Land Customs, Calcutta, to communicate the order to other officers. As the Collectorate headquarters' office had not received a copy of the said cancellation order, the Collectorate Office could not circulate the same to all subordinate formations at the material time. The Collector has been since directed to maintain more effective liaison with the State Government in such matters."

2.45. The Committee regret to note that in this case, due to lack of co-ordination with the State Government, a loss of about Rs. 53,000 in revenue was suffered on the sale of 29,694 lbs. of seized skimmed milk powder at the control price even after the cancellation of the Control Order. The Committee desire that the Board should examine whether there is any defect in the procedure regarding the receipt of copies of such orders from the State Government and their circulation to the various officers concerned to avoid the recurrence of such cases.

### III UNION EXCISE DUTIES

#### Audit Report (Civil) or Revenue Receipts, 1967

##### Receipts—Para 24.

The receipts under the Union Excise Duties during the year 1965-66 were Rs. 897.92 crores registering an increase of Rs. 96.41 crores over that of the previous year. The receipts under the Union Excise Duties for the last five years (i.e. Third Five Year Plan period) along with the corresponding number of commodities on which Union Excise Duties were leviable are given below:—

Year	Receipts under Union Excise Duties. (in crores)	No. of com- modities on which the duties were leviable.
	Rs.	
1961-62	429.31	56
1962-63	598.83	65
1963-64	729.58	65
1964-65	801.51	66
1965-66	897.92	67

##### Results of test audit in general—Para 25. Pages 27-28

3.2. A test audit of the documents and records maintained in the offices of the Chief Accounts Officers of the Central Excise Collectorate and in selected Central Excise ranges, revealed under-assessment and loss of revenue to the extent of Rs. 5.72 crores, as summarised in the following table:—

Name of the commodity	Total amount of under-assessment (Rs. in lakhs)
Tobacco	11.64
V.N.E. Oils	10.69
Patent or Proprietary medicines	13.75
Jute manufactures	11.31
Paper	17.72
Cotton Yarn	363.15
Cotton Fabrics	35.63
Foot Wear	43.02
Other Commodities	64.72
<b>TOTAL</b>	<b>571.63</b>

3.3. The under-assessments/losses of revenue referred to above have arisen mainly on account of the following:—

	(Rs. in lakhs)
(i) Non-levy of duty . . . . .	27.87
(ii) Under-assessment due to wrong application of rates . . . . .	24.35
(iii) Under-assessment due to wrong fixation of assessable values . . . . .	60.31
(iv) Loss of revenue due to processing in warehouses and manufacture in Bond . . . . .	18.72
(v) Loss of revenue due to operation of time-bar . . . . .	0.51
(vi) Irregular and unauthorised refunds, rebates and set-off . . . . .	322.86
(vii) Other omissions or failures . . . . .	117.01
<b>TOTAL</b> . . . . .	<b>571.63</b>

3.4. The Committee desired to be furnished with a statement showing the break-up of the revenue realised during the year 1965-66 from private parties and Government companies etc. The Ministry of Finance (Deptt. of Revenue) have furnished the following details:

Figures in Rs. (000)

Realisation from private parties.	Government Companies.	Statutory Corporations.	Department of Govt.		Total
			(Central & States) In respect of goods manufactured for Trade or Business	In respect of goods manufactured for their own consumption	
(a)	(b)	(c)	(d)(i)	(d)(ii)	(e)
7729090	165732	856023	172469	345	8923659
The figure do not include cesses on Iron ore, Rubiber, Salt and coal).					

3.5. The Committee were furnished with a note stating the following position regarding exemption from duty given by the Central Board of Excise & Customs:—

(a) Number of commodities totally exempted from duty as on 31-8-1967 . . . . .	8	
(b) Total number of effective exemption notifications as on 31-8-1967 . . . . .	355	
(c) Number of exemption notifications issued in 1965-66 & 1966-67 . . . . .	1965-66	1966-67
	99	119
(d) Number of cases in which exemptions were given retrospective effect during 1965-66 and 1966-67 . . . . .	1965-66	1966-67
	17	15

3.6. A statement showing details of cases and the reason for giving retrospective effect is at Appendix XI.

3.7. In another note, furnished by the Ministry, it has been stated that the approximate duty foregone as a result of exemption notifications issued under Rule 8 of the Central Excise Rules, 1944 during the years 1963-64, 1964-65 and 1965-66 is as follows:—

	(Rs. in crores)
1963-64 . . . . .	54.04
1964-65 . . . . .	63.73
1965-66 . . . . .	64.28

The following types of exemptions have not been taken into account in preparing the above statement.

- (i) Exemptions which represent specific rates of duty announced by the Deputy Prime Minister/Finance Minister on the floor of the Parliament as part of Budget/Supplementary Budget proposals and which are deemed to have Parliament's approval on the passage of the Finance Bill.
- (ii) Exemptions intended to avoid double taxation under the same tariff item including these giving set off in respect of duty already paid on raw materials or component parts assessable under the same tariff item.

3.8. During evidence, the Committee were informed by the Chairman of the Board of Excise and Customs that out of the total under-assessment of Rs. 571.63 lakhs of excise duties referred to in the Audit Report, 1967, the Department had accepted underassessments amounting to Rs. 327 lakhs. "We gave the exemption by executive instructions whereas we should have given it by regular notification

mentioning the rate under which we are giving that". The representative of the Board stated: "The intention of Government was there all the time just to allow all these exemptions. Now, the proper method is to regulate the position through necessary exempting notifications. In these cases, though the intention was there all along yet these notifications were not there." The Secretary, Revenue & Expenditure stated: "This has been the practice of giving relief to the parties from the long past. These are not for one particular person, but for the whole range of goods in that class. What happens is that the precise definition of that particular commodity is not forthcoming straightway. There are so many kinds, grades categories with so many priorities and so on. One has to obtain expert opinion. We have the Chemical Examiner, D.G.T.D. has also to be consulted. When a representation is received about any particular type of commodity, that the imposition of excise would lead to hardship and if that representation *prima facie* appeals to reason, the first thing which is done is to stay realisation of excise. It is only after all the aspects of this case have been thrashed with the expert opinion that Government feel confident in issuing a notification. Obviously the notification gets a retrospective effect but technically it cannot be said to be correct." Asked about the level at which the decision to give retrospective exemption was taken, the Secretary (Revenue & Expenditure) stated: "It goes upto the level of the Minister." Asked if there was not a possibility of discrimination involved in issuing notifications, the witness stated: "The question of discrimination gets looked into at the time Government take decision. There can be no question of giving relief only to some parties and not others producing the same type and same quantities of goods." It was pointed out whether there was not a possibility of the Collectors discriminating between the importer and another while working on the basis of executive instructions which might not be in the knowledge of public at large. The Secretary, Revenue & Expenditure stated: "There will be a remedy on the basis of exemption notification with retrospective effect, a refund could always be claimed." He added: "Exemption notifications are published in the Gazette. Then on the basis of the executive instructions, my information is that, the Collectors are required to issue trade notices."

3.9. The Committee asked if it would be feasible to allow the goods to be cleared under a bond requiring the parties to pay the difference in case the exemption notification was not issued later. The Secretary, Revenue & Expenditure stated: "This can be examined, but the only point to be seen is if the goods have been sold what does the person do? Does he enter into a bond with the buyers of conditional price?"

3.10. The Committee referred to the observations made in para. 3.37 of their Forty-fourth Report (Fourth Lok Sabha) stating: "The Committee note that the legal position regarding giving retrospective effect to exemption notification was that a legislature could give retrospective effect to a piece of legislation passed by it, but Government exercising subordinate and delegated powers cannot make an order with retrospective effect unless that power was expressly conferred by the Statute." The Secretary (Revenue & Expenditure) stated: "I straightway concede that this does not exist under the Excise Act and Rules..... But there are practical difficulties. Either we do not take action on representation till we are fully prepared with the entire data or continue the present practice of interim stay order and back it up with a proper exemption notification.....in practical terms, it would be difficult to get ready with exemption notifications as soon as a *prima facie* case for relief is thought of. The insistence would lead to avoidable hardship.....but Government also do not like that this period of action on the basis of executive instructions should continue to be any longer than can be helped and that proper notification exemption must issue as quickly as possible." The Secretary (Revenue & Expenditure) added: "I would not say that the practice which was being followed will be necessary in its entirety. One must take a view of the span of time and of the necessity and urgency of issuing an exemption notification. These aspects of late, have been taken note of and gradually one is trying to reduce the time span. But my submission is, it would not be possible to get ready with exemption notification immediately as any kind of interim relief pending further examination of the nature of the commodity, fiscal burden, market conditions etc. is thought of." The witness assured the Committee that "We intend to approach the problem in future on a firm legal basis."

3.11. Asked whether the exemption Notifications were laid before Parliament, the Secretary (Revenue & Expenditure) stated: "There is lacuna in this Excise Act as compared to the Customs Act. On the excise side, wide power has been taken under the rules without even any provision for reporting these exemptions to Parliament..... This rule has, however, been made with the approval of Parliament and it is the rule which authorises the Government to exercise or issue exemption notifications." The witness added that "in the Central Excises Bill which is replacing the Act, this lacuna has been spotted and we are making an identical provision as in the Customs Act..... The Bill is in the final drafting stages. The intention is to bring this Bill in the Budget session."

3.12. Asked about the reasons for delay in drafting the Central Excise Bill, the Secretary, Revenue & Expenditure stated, "I will say that the proposal for drafting the Bill was taken up as a result of recommendation of the Chanda Committee. At first, it was thought that amendments will serve the purpose. After the amendments had been listed, they were so numerous that the drafting of a fresh Bill replacing the present Act was considered to be advisable. This had led to some delay. The drafting of the Bill has been finalised and the intention is to bring up this Bill very shortly." The witness added: "I have just thought as to whether in the interim period, in respect of Rule 8 one could not add a sub-clause requiring the exemption notifications to be placed before Parliament. That would mean, regardless of the delay that takes place in passing the Bill, at least Parliament should be kept informed and a somewhat necessary obligation discharged."

3.13. Asked whether the exemption notifications laid before the Parliament would be accompanied by an explanatory memorandum giving reasons for varying the standard rate of duty leviable under the Finance Act, the Secretary (Revenue & Expenditure) stated that "It will have to be considered as to how much time and work are involved. Under the Customs Act, Government are required to place a copy of the notification only."

3.14. Asked whether it would not be desirable to lay before Parliament copies of the executive instructions, the Secretary, Revenue & Expenditure stated. "I really don't know whether we would not be embarking on a wholly new practice. If the notifications come, I take it that they should serve the purpose."

3.15. The Committee find that the Excise Duty foregone as a result of the issue of exemption notifications amounted to Rs. 54.04 crores in 1963-64, Rs. 63.73 crores in 1964-65 and Rs. 62.28 crores in 1965-66. With an expanding Excise Tariff, the amount thus foregone is bound to increase. It is significant that although a sizable amount of duty leviable under the Excise Law is being foregone year after year, the present system does not provide for obtaining approval of Parliament in the matter, as there is no provision in the Central Excises Act and the Rules made thereunder to lay the exemption notifications before Parliament.

In para 3.142 of their 44th Report (Third Lok Sabha) the Committee had desired that the procedure should be rectified by making it obligatory to lay a copy of each notification before Parliament. The Committee regret to note that the position has not yet been rectified by Government. The Committee hope that, as assured by

the Secretary, Revenue and Expenditure, during evidence, pending the finalisation of a new Central Excise Bill, suitable amendments will be made in the Central Excise Rules requiring such exemption notifications to be laid before Parliament. It would also be desirable that the exemption notifications should be accompanied by explanatory memoranda giving the reasons for varying the standard rates of duty.

3.16. The Committee have been critical in their earlier Reports [cf. para 3.141 of 44th Report (Third Lok Sabha)] to the granting of exemption from duty through executive instructions instead of the issue of formal notifications under Rule 8. The Committee are concerned to note that, out of under-assessments of Rs. 571 lakhs pointed out in Audit Report, 1967, most of the amount of Rs. 327 lakhs that has been admitted by the Department related to irregular and unauthorised refunds, rebates and set offs because certain reliefs were given under executive instructions which did not have proper legal backing in the matter of exemption. According to the Ministry, in some cases, exemptions were given under such executive instructions pending further examination of the matter, after which exemption notifications were issued retrospectively.

3.17. In para 3.141 of their 44th Report, the Committee had desired that if, for administrative flexibility, Government desired some latitude in such matters, they should obtain authority to do so from Parliament by introducing an amendment to the Excise Law. The Committee hope that the position will be suitably rectified in the new Excise Bill.

3.18. As regards the issue of exemption notifications retrospectively, the Committee have discussed the legal position in para 3.37 of their 44th Report (Third Lok Sabha) that is: "A legislature could give retrospective effect to a piece of legislation passed by it, but the Government exercising subordinate and delegated powers cannot make an order with retrospective effect unless that power was expressly conferred by the Statute." The Committee had desired that the question of the extent of authority required and of amending the Law for the purpose should be thoroughly examined in consultation with the Ministry of Law. In para 2.3 of their 7th Report (Fourth Lok Sabha), the Committee desired that a Bill containing enabling powers for the Central Government to give retrospective effect to excise duty exemption under the Excise Law should be brought before Parliament as early as possible.

3.19. The Committee suggest that, pending the preparation of a new Excise Bill, the whole question of granting exemptions of duty

through three different means, viz., notifications, executive instructions and retrospective notifications may be examined in consultation with the Attorney General of India.

*Internal Audit Organisation*

3.20. The Committee desired to be furnished with a note stating the existing arrangements for Internal Audit in the Central Excise Collectorates (both in Headquarters and in Collectorates). In their note (Appendix XII) the Department of Revenue had stated that in view of the expanding nature of the Central Excise Tariff, as well as to ensure that there is effective unit of Revenue accounts to detect the loop-holes causing leakage of revenue through procedural defects in the matter of assessment, collection or accounting, the Department of Revenue have set up two types of audit machineries at different stages, within the Central Excise Organisation.

These are:—

- (i) Audit by Chief Accounts Officer/Assistant Chief Accounts Officer attached to the Collectorate Office.
- (ii) Audit by the Assistant Collector (Audit) of the Central Excise Collectorate.

3.21. The details about the performance of the Internal Audit Organisation during the year 1966-67 have been stated as under:

1. No. of Chief Accounts Officers Asstr. Chief Accounts Officers conducting the check of assessment documents at the Collectorate Headquarters	17
2. No. of Internal Audit parties functioning in the Collectorates	57
3. No. of objections raised by CAO/CAO	
(i) No.                   2,143	
(ii) Amount involved.   Rs. 87,100	
4. Objections raised by the Internal Audit Parties	
(i) No.                   8,932	
(ii) Amount involved   Rs. 6,12,170	

It has been stated that "the number of objections referred to above are inclusive of procedural defects pointed by the Audit as well as CAO/CAO. As the objections raised by the Internal Audit are still under correspondence, figures of short levies/under assessment actually detected have not been furnished by some Collectors."

3.22. In order to rectify the defects, a detailed scheme, was worked out, for the establishment of a Directorate of Revenue Audit. The scheme was accepted in principle by Government and funds were also made available in the Finance Bill of 1965, but due to emergency and the need for economy, the scheme was not put into effect. Nevertheless, it was decided to strengthen the Audit by merging the Regional Audit Parties with those of Examiner of Accounts so as to set up a self-contained Audit cell, under a senior officer of the rank of an Assistant Collector, to function under the direct guidance of the Collector at each Collectorate Headquarters. Accordingly, a scheme for the re-organisation of audit working, taking into consideration the number of revenue yielding units as against the number of office formations, has been introduced *w.e.f.* 1-1-1967 in all the Collectorates.

3.23. The Committee drew attention to their earlier recommendation regarding strengthening the Internal Audit Organisation (c.f. para 45 of 27th Report and paras 3.9 and 3.10 of 44th Report—3rd Lok Sabha). The Secretary, Revenue and Expenditure stated: "We do recognise that Internal Audit Organisation should be improved both in numbers and in quality. In terms of the Central Excise and Customs Revenue, one would not say that the percentage of irregularities found is on the increase. The numbers are a little more, but the revenue realised is also so much more. Some steps have been taken despite the budgetary constraint on the excise side."

3.25. The Committee desired to be furnished with a note stating the progress made in implementing the recommendations of the Central Excise Re-organisation Committee regarding strengthening the Internal Audit Organisation and the difficulties in implementing them. In a note furnished to the Committee, the Department of Revenue have stated:

"The scheme of strengthening the Internal Audit Organisation by constituting a separate cadre of the audit and accounts staff under the guidance and control of an independent Directorate was worked out by the Central Board of Excise and Customs. The scheme worked out at the time was estimated to cost about Rs. 30 lakhs per year. However, its implementation had to be deferred due to reasons of economy. The decision was taken in December, 1965 and the position continues to be the same. However, necessary organisational changes within the limits of the manpower and financial resources available have been made to improve the func-

tioning of the Internal Audit Parties and the more important of such changes effected from 8-12-1966 are listed below:

- (i) Regional audit parties have been merged with the Internal Audit in each Collectorate and placed exclusively under the charge of an Assistant Collector.
- (ii) The number of audit parties has been enhanced from 31 to 54. The position is being kept under watch.
- (iii) Audit work in each Collectorate has been made the personal responsibility of each Collector.
- (iv) The Examiner(s) of Accounts has/have been placed under immediate supervision and direct control of the Assistant Collector (Audit).

3.26. During evidence, the Secretary, Revenue and Expenditure informed the Committee that "there was one suggestion on which further thinking is going on and that is regarding a separate Directorship of Internal Audit which would run common to all the Revenue Departments. At first the difficulty was avoiding increase of administrative expenditure. Thereafter the thinking seems to be that the existing arrangement whereby the Audit parties are placed with the executive staff may be more conducive to the expeditious disposal of work."

3.27. The Public Accounts Committee have repeatedly drawn attention to the inadequacy of the Internal Audit Organisation in the Central Excise Department, as revealed by the Report of the Central Excise Re-organisation Committee presented in 1963 (cf. paras 45 of 27th Report and para 3.9 of 44th Report—Third Lok Sabha). They have been informed that a scheme for strengthening the Internal Audit Organisation by constituting a separate cadre of the Audit and Accounts Staff under the guidance and control of an independent Directorate which was estimated to cost about Rs. 30 lakhs per year was deferred due to reasons of economy in December, 1965, and the position continues to be the same. There is also a suggestion regarding the setting up of a separate Directorate of Internal Audit which would be common to all Revenue Departments.

3.28. The Committee note that meanwhile certain organisational changes have been made by the Department to improve the functioning of the Internal Audit parties. The number of the Internal Audit parties has also been increased from 31 to 57. The Committee are, however, not satisfied with the performance of the Internal

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**Audit Organisation.** During 1966-67, the Chief Accounts Officer, Assistant Chief Accounts Officers raised 2,143 objections involving Rs. 87,100/- and Internal Audit Parties raised 2,932 objections involving Rs. 6,12,170. On the other hand test audit by the Revenue Audit Department disclosed an under-Assessment of Rs. 571 lakhs in Audit Report, 1967. In the Committee's view in order to make the Internal Audit parties more effective, it is desirable to put them under an independent Directorate. Government should take an early decision on the question of setting up an independent Directorate of Internal Audit which would be common to all Revenue Departments or alternatively a separate Directorate for Central Excise.

**Machinery to ensure uniformity of administration of levy in different Collectorates**

3.29. The Committee also desired to be furnished with a note stating the existing arrangements for ensuring uniformity of administration of the levy in different Collectorates. In their note (Appendix... XII) the Department of Revenue have stated:

"As a first step to ensure uniformity of administration of the levy in different Collectorates, all instructions/clarifications issued by the Board/Ministry to the Collectors (which are intended for the use of the departmental officers), are transmitted, immediately on receipt, by the Collector concerned, to the lower formations in the form of Instruction, with copies to all other Collectors of Central Excise as well as to the Board and the Collectors in the form of Trade Notices, copies of which are similarly endorsed by the issuing Collector to all other Collectors of Central Excise, the Board and the Directorate of Inspection. Again, to ensure uniformity of administration of the levy, irregularities noticed in any formation, during Audit, are brought to the notice of other units and Quarterly Bulletins incorporating the more important points are issued by the Collectors. Copies of such bulletins are sent to all the other Collectors of Central Excise as well as to the Directorate of inspection. Important objections raised by the Audit are then brought to the notice of the Board. As a result, discrepant practices in the mode of assessments and *modus operandi* of unscrupulous licensees are eliminated and the field staff gets alerted."

"In cases, when there are some doubts about the efficacy of certain procedures, references are made by the Assistant Collector (Technical), Assistant Collector (Audit) and also by the Collector to their counter-parts in other Collectorates so that a uniform mode

of assessment is evolved on inter-Collectorates basis. In cases of difference of opinion, the question is referred to the Board for a ruling. In this way a close liaison is maintained between different field formations."

"Besides, Study Circle meetings are held periodically at Divisional and Collectorate Headquarters Offices. Under this scheme, current problems are discussed by group of officers. The minutes of such meetings are circulated to all Divisional officers in the Collectorate."

3.30. In para 3.7 of their Forty-sixth Report the Public Accounts Committee pointed out that different Officers sometimes give different interpretations of the law with the result that citizens may be taxed differently under the same statute. The effect will appear as discrimination between assesseees by the executive. The Committee emphasize the basic need of ensuring that under the same statute and at the same time, people are not charged different rates of tax due to different administrative interpretations or other failures. The Committee note the steps taken by the Central Board of Excise and Customs to ensure uniformity of administration in the levy of duty in different collectorates. The Committee hope that the Central Board of Excise and Customs will keep this matter under constant review so as to ensure uniformity in the levy of excise duties.

*Under assessment due to Wrong Application of Rates—Para 27 (b), pages 31-32.*

3.21. Cotton yarn, twist and thread were grouped under one Category for the purpose of assessment to basic Central Excise Duty with effect from 17th April 1964 and for purpose of special excise duty with effect from 1st August, 1964. Prior to these dates, however, cotton yarn was assessed at concessional rates provided by Notifications of the Government of India and Cotton twist or thread was being charged to duty at the standard rates. As a corollary to this, the waste arising from these, should, follow the same classification if such waste were dutiable. However, dutiable disentangled mass arising from the manufacture of cotton twist and thread was charged to concessional rate of duty applicable to cotton yarn instead of the tariff rate applicable to cotton twist and thread. When this was pointed out in October, 1963 demands totalling Rs. 32,570 representing the differential duty have been raised, out of which demands amounting to Rs. 15,603 have been realised and the balance demands amounting to Rs. 16,967 have been reported as withdrawn on account of being time-barred.

3.32. The Committee asked about the reasons for erroneous assessment which led to such levy, a major portion of which resulted in loss of revenue to Government. The representative of the Central Board of Excise and Customs stated. "As a matter of fact, there was no justification for not assessing it at the tariff rate. The reason which weighed with the assessing officers was that the percentage of twist and thread in that mixed waste was negligible. Another factor that was there, was this. The twist and thread that were cleared along with the distangled cotton yarn were cleared for the purpose for which this cotton yarn had been cleared and not for any other purpose." Asked about the disciplinary action taken against the officer, witness stated. "Action has yet to be taken. Explanations have been received from all the officers and the matter is under the consideration of the Collectorate."

3.33. The Committee note that the erroneous assessment of wastes arising from twist or thread manufactures at the concessional rates applicable to yarn instead of at the higher standard rates applicable to 'thread or twist' resulted in under assessment of duty amounting to Rs. 32,570, out of which a demand amounting to Rs. 16,967 had to be withdrawn as a result of being time barred.

3.34. Government should fix responsibility for this loss and take remedial measures to obviate the recurrence of such instances of erroneous assessment and detect errors in time for realisation of arrears.

*Under-assessment due to wrong fixing of assessable values.—Para 28 (a), Pages 34-35.*

3.35. According to the rules and orders issued for ascertaining the assessable value of an article for levy of Central Excise Duty under section 4 of the Central Excise and Salt Act, 1944, the discount allowed under a particular contract which is not available to any independent wholesale purchaser and/or which can be earned only in consideration of fulfilment of certain conditions is not admissible for deduction from the declared wholesale price.

3.36. In one factory manufacturing foot-wear, it was noticed that different percentages of trade discount varying between 7 per cent and 3 per cent, were allowed to different categories of wholesale dealers. 7 per cent. to 5.75 per cent. being for those who entered into certain contracts with the company and 3 per cent. being the unconditional rate of discount. The trade discount in excess of 3 per cent. cannot, therefore, be taken into account in ascertaining the assessable value for the purpose of levy of the duty.

3.37. The Department contended that the discount allowed to the dealer who had the largest turn-over to his credit was accepted

in terms of Government of India ruling under section 30 of the Sea Customs Act.

3.38. According to Audit, the ruling under section 30 of the Sea Customs Act is not applicable for Central Excise purposes as no notification under section 12 of the Central Excises and Salt Act, 1944 invoking the provisions of section 30 of the Sea Customs Act for Central Excise purposes was issued.

3.39. This irregularity had resulted in loss to the extent of Rs. 43,00,205 during the period 1st March 1954 to 28th February, 1965.

3.40. The Committee asked about the reasons for allowing the licensee trade discounts varying between three to seven per cent. The representative of the Central Board of Excise and Customs stated that the manufacturer allowed the regional distributors numbering 120 different rates of discount varying from 5.5 per cent to 7 per cent according to the varying quantities lifted by them. The retail dealers who were being given 3 per cent discount were getting their supplies from these wholesale distributors. The witness added that "These discounts were not conditional but they were unconditional and were being enjoyed by these wholesale dealers." According to a ruling given by the Mysore High Court under the Sea Customs Act, regional distributors should not be denied the discount and also the overhead expenses. This particular ruling under the Sea Customs Act had been made applicable in this case because the conditions were identical.

3.41. The Committee pointed out that under Section 12 of the Central Excise Act, a notification had to be issued for applying any provisions of the Customs Act to the levy of excise duty. The representative of the Board, stated "The objection that has been raised was that section 30 itself having not been made applicable to the Central Excise Act how could a ruling under section 30 of the Sea Customs Act be made applicable to this particular case on the Central Excise Side. Now, this is a matter which has been examined in consultation with the Ministry of Law and we have been advised that when conditions are identical, the goods are of like kind and quantity, there is no bar whatsoever to the application of the executive instructions and for this purpose, though this particular section has not to be notified as applicable to the Central Excise Act. As a matter of fact, under section 12 of the Central Excise Act several provisions of the Customs Act have been made applicable to the Central Excise side. Now this particular ruling relates to what should constitute as wholesale cash price as understood under section 4(a) of the Central Excise Act, which is more or less comparable with section 30(a) of the Sea Customs Act."

3.42. The Committee drew attention to a recent ruling of the Supreme Court to the effect that the provision of Customs Act could not be automatically applied to the Central Excise Act. The representative of the Board stated "That was in the context of Section 129 of Customs Act. There the question is of something procedural and something substantial.....It was about application of section 129 of the Customs Act to the Central Excise; and that section stipulates that before an appeal is heard all the dues must be paid. We were insisting on the basis of Section 129 of Sea Customs Act on the pre-payment of those dues and there the court's finding has been that this was not a procedural matter but a question of substantial law. It cannot be made applicable through Notification. The proper remedy is to amend the Central Excise Act and that is what we are going to do."

3.43. The Secretary, Revenue & Expenditure stated: "As it is, on this specific case the Ministry of Law has been consulted and advice to the effect which has been obtained, it would be difficult for the Department to come to a contrary view. But I do see the obvious inconsistency between the advice given and the ruling of the Supreme Court which has been brought to notice. Therefore, I would suggest we may be given time to get this issue sorted out by reference to the Attorney General."

3.44. The Chairman of the Central Board of Excise and Customs stated that the rulings referred to in this case were merely executive instructions trying to interpret certain words of the statute. It was not that any notification or any section of the Customs Act was being applied to the Central Excise. The wordings of Section 30(a) of the Sea Customs Act and Section 4(a) of the Central Excise Act were more or less similar. The basic thing was "wholesale cash price, the place from where goods have been cleared from the docks and in case of the central excise from the factory." The witness added "We have said (by executive instructions) that these words (wholesale cash price) seem to mean this. Therefore, by analogy since the wording is more or less the same in the Customs and Central Excise Statutes, by and large the interpretation also should be the same."

3.45. The attention of the witness was drawn to explanation given in the Central Excise Manual:

"In determining the price of any Article under this Section, no abatement or deduction shall be allowed except in respect of trade discount and the amount of duty payable at the removal of the article chargeable with duty from the factory or other premises aforesaid."

3.46. The witness stated: "On the Customs side, it is well recognised that we allow quantity discount." The representative of the Board added: "Quantity discount is a trade discount, which is well recognised in both the Acts—Central Excise Act and Customs Act." The Secretary, Revenue and Expenditure agreed that "when the schemes are distinct, to import from the rulings or the executive instructions of one to the other is *prima facie* anomalous."

3.47. The Committee pointed out that in this case Class I distributors were allowed discount at the rate 6.75 or 7 per cent subject to the conditions that they should sell the particular company's footwear, and they were thus virtually prevented from dealing in any competitive shoes. The representative of the Board stated: "...The whole discount was at varying rates depending on the quantity.....It was not a case of favoured customer."

3.48. Referring to the court's ruling on the Customs side, the witness stated that in that case there were two principal distributors who were more or less the sole selling agents; their overall ~~discount~~ and trade discount were wholly allowed under the court's order. In the present case, 120 distributors fulfilled the conditions stipulated. The stipulation related to the quantity to be lifted, although there were other stipulations also that they were not to deal in foot-wear manufactured by other parties and that they should not go beyond the region earmarked for them. The Committee pointed out that Section 4 did not include any discount which was allowed only under a particular contract and was not generally applicable to any independent wholesale purchaser. The Secretary, Revenue and Expenditure stated "This clause... would perhaps debar a monopoly arrangement which gets availed of by large number of people. Obviously the conditions are restrictive and interested parties have to submit to those conditions to become distributors and to avail of the discount." He added "The quantity does seem to be the main feature of this and of course there are a set of other conditions too."

3.49. The Committee find it difficult to accept the view that the allowance allowed in this case was merely "Quantity Discount" and "unconditional" for according to the agreements entered into by the manufacturer with wholesale distributors, they were allowed the discount subject to the condition that they should not sell foot-wear manufactured by other parties and that they should not go beyond the region earmarked for them. Further, although the number of wholesale distributors is stated to be 120, there are individual agreements between the manufacturer and the distributors.

According to the rules and orders issued under the Central Excise Act the discount allowed under a particular contract or which can be earned only in consideration of fulfilment of certain conditions is not admissible for deduction from the declared wholesale price. The Committee feel that these two conditions laid down for admissibility of discount are not fulfilled. They, therefore, desire that this matter should be further examined in consultation with the Ministry of Law.

3.50. The Committee were given to understand that in this case, the Board, in determining the wholesale price, were guided by certain executive rulings issued under Section 30 of the Sea Customs Act on the analogy that the wording of Section 30 of the Sea Customs Act is more or less similar to that of Section 4 of the Central Excise Act. The Board did not consider it necessary to issue a notification for application of the provisions of the Sea Customs Act in this case.

3.51. The Committee also note that several provisions of the Sea Customs Act have been made applicable to the Central Excise side by notifications issued under Section 12 of the Central Excise Act. The Committee desire that the whole question of applicability of executive rulings under the Sea Customs Act without issuing a notification under the Excise Act as also the applicability of the provisions of the Sea Customs Act by issuing a notification under the Central Excise Act should be examined in consultation with the Attorney General in the light of a recent judgement of the Supreme Court in the matter.

*Para 28 (b), pages 35-36*

3.52. According to the procedure of assessment prescribed by Government in May, 1962, a manufacturer of Patent or Proprietary medicines publishing price lists indicating the prices at which the products would be sold to consumers was allowed an *ad hoc* discount of 25 per cent, on the prices specified in the said price lists. Certain manufacturers of Patent or Proprietary medicines in a Collectorate presented for assessments generally large packs containing within themselves smaller labelled saleable units in the form of strips, each strip containing about 8 or 10 tablets and availed of the *ad hoc* discount prescribed in the Notification dated 19th May, 1962 on the prices declared for these bigger packs. Such prices were considerably lower than the price calculated *pro rata* for the smallest saleable unit and accordingly attracted lower duty. This practice was, however, stopped with effect from 1st July, 1964 as a result of the Collector's orders on a review and the assessments were ordered

to be made on the basis of the prices of smallest saleable units. The past assessments were neither reopened nor demands issued, although the declaration of consumer prices for such larger packs was in itself not correct. The loss of revenue on this account for the period from 1st April 1963 to 30th June 1964 stood at Rs. 2,41,000 (Approximately) in respect of four factories only, in one Collectorate.

3.53. The Ministry have stated that past assessments not being provisional could not be re-opened.

3.54. The Committee asked whether any action had been taken against the officers responsible for the loss of Revenue in this case. The representative of the Board stated "The Collector did look into the matter and reported that to the Board. There was no deliberate omission or commission and there was no question of *malafide* intention. All that happened was that the officers proceeded on the basis of the publicised retail prices as furnished by these people. They should have verified and satisfied themselves whether there was any transaction to the actual consumers at these prices." The witness added that on a representation against the Collector's ruling the Board issued orders on 5th March, 1965 confirming the Collector's ruling of 1st July, 1964.

3.55. Referring to the criterion for consumers' packs, the representative of the Board stated: "There is a difference of opinion amongst the Ministry of Health, Ministry of Petroleum and Chemicals and the Drugs Controller of India. All of them feel that these larger packs even when they are offered at the declared consumers' price, they have been disposed of to the hospitals and other institutions like that.

3.56. There should be no hesitation in accepting such prices as the consumers' price. In other words, they should be permitted to be assessed at 25 per cent discount."

3.57. In a note (Appendix XIII) furnished to the Committee the Department of Revenue have stated that the trade did not react favourably to the instructions by the Board on 5th March, 1965. The question of the manner of assessment of large and small (wholesale and retail packs) is, however, already under consideration separately in consultation with the Drugs Controller (I), Ministry of Health and Ministry of Petroleum and Chemicals.

3.58. The Committee desired to know whether practice similar to the irregularity noted above was in vogue in other Collectorates

resulting in loss of revenue. In their note, the Department of Revenue stated the position as follows:—

Name of the Collectorate.	Date upto which the practice was in vogue.	Consequential loss of Revenue.
1. Bombay . . . .	30-6-1964	Rs. 2,48,372·46
2. Barode . . . .	31-12-1966	Rs. 2,19,498·70
3. Madras . . . .	24-3-1963	Rs. 264·74 (Realised)
4. Shillong . . . .	31-3-1967	Rs. 274·88
		Rs. 4,68,410·78

3.59. The practice was in vogue in Allahabad Collectorate also till October, 1967 but assessments had been made provisionally and the differential duty is now being recovered. Only one small factory is involved in this Collectorate.

3.60. In the remaining collectorates either the practice of clearing medicines in strip packings was not in vogue or larger packs containing within themselves smaller labelled saleable units were not assessed on the basis of declared consumer price for the larger pack.

3.61. The Committee asked how in the Baroda Collectorate, the wrong practice continued till 31st December, 1966 in spite of the instructions issued by the Board in March, 1965. The Secretary, Revenue and Expenditure agreed that "the officers concerned should be called upon to explain and to let the Board know as to why they took so long to correct these practices." The representative of Board of Excise and Customs stated "Today I have received this massive telegram from Baroda. There they have explained that they were the packs of 50, 30 and 100 tablets, and within the inner packs and strips contain larger packs which do not carry any label whatsoever. In this matter, they were guided by the particular instructions of 5th March, 1965 which referred to thousand tablets. So, that would not apply to this." The Secretary Revenue and Expenditure stated "The figures which were reported to them are obviously wrong." The representative of the Board of Excise and

Customs further stated ".....whether this was something which was avoidable and which has to be avoided, is a matter that will be looked into further."

3.62. Asked why in case of Bombay Collectorate, the recovery of duty under-assessed could not be made, the representative of the Board stated: "Here two things are involved. First, the ~~assessments~~ were not made on a provisional basis. They were final assessments. He treated his decision as a tariff ruling. Whenever a tariff ruling is in favour of Government, then according to the accepted ~~maxima~~, the tariff rulings are to be prospective and not retrospective. It may also be argued that this was a case of an error."

3.63. The Committee are concerned to note that even after the issue of the Board's orders on 5th March, 1965, the wrong practice of clearing large packs containing within themselves smaller saleable units in the form of strips at prices declared for the bigger packs was continued in the Baroda Collectorate upto 31st December, 1966, and this resulted in the loss of revenue of Rs. 2,19,426.70. The Committee desire that, taking into consideration the details of this case, the Board should look into the reasons for the continuance of this practice in that Collectorate with a view to ensure that their instructions issued on 5th March, 1965, are strictly implemented by the Collectorate of Central Excise, Baroda. The Committee would like to know the action taken in the matter.

3.64. The Committee find from the note furnished by the Ministry of Finance that the question of the manner of assessment of large and small (wholesale and retail) packs is under consideration of the Department of Revenue in consultation with the Drug Controller of India, Ministry of Health and Ministry of Petroleum and Chemicals. The Committee would like to be apprised of the decision taken in this case.

*Loss of Revenue Due to Manufacture in Bond—Para 29(b). pages 37-38.*

3.65. Rule 96-D of the Central Excise Rules, permits the removal of cotton fabrics in bond from one factory to another for purpose of further processing. This enables the collection of duty at the final stage of clearance. In a Central Excise Collectorate a processing unit engaged mainly in the process of machine embroidery which is not a process attracting any additional levy, was licensed as it had installed a small bleaching plant and was allowed receipt of cotton fabrics in bond from other manufacturing units. The cloth so received was far in excess of the capacity of the bleaching plant. The

bulk of the cloth received was not to undergo the process of bleaching at all, as they were either bleached or mercerised already. The movement in bond of cloth not requiring further processing such as bleaching or mercerising, was objected to. This procedure not only involved postponement of payment of duty but also loss of duty because of occurrence of rags, chindies and fents in the process of machine embroidery. The Collector reviewed the matter and ordered that the factory should pay full duty on the fabrics received in bond. Demands of duty for Rs. 6,63,252 were raised for the clearances of chindies, rags and fents in respect of the period from 1st March, 1962 to 13th March, 1964. Out of this, the party had paid Rs. 89,540 relating to the period from 14th December, 1963 to 13th March, 1964. These demands were reduced to Rs. 19,935 on appeals heard by the same Collector of Central Excise.

3.66. The Committee asked how the irregularity in this case continued till it was noticed by Audit. The representative of the Board stated "This is a fact.....that the thing was first noticed by Audit. The Audit pointed it out. But the Directorate of Inspection were also seized of the matter."

3.67. The Committee pointed out that the irregular practice was pointed out to the Collector in November, 1962 and the decision to stop the practice was taken only on 21st February, 1964. The representative of the Board stated that "this matter which the Board took notice of and the Board also issued orders on 30th July, 1962 that this should be stopped and that this matter has already been taken up with the Collector and is under examination. The Collector had given some explanations and these explanations have not been accepted so far."

3.68. Asked how the Collector reduced the demand in appeal, the witness stated "So far as this particular demand which was set aside by the Collector is concerned, that was hit by the time-bar."

3.69. The Committee asked about the propriety of the Collector sitting in judgment over the issue arising out of his own instructions. The witness stated "The Collectorate passes so many executive orders and if arising out of that some assessment is disputed and the party makes an appeal, the Collector gets an opportunity to apply his mind dispassionately and avail of the opportunity to correct himself if there is a case for correction. In this case this is what had happened. It is he who stopped this practice some time on the 21st February, 1964. The party felt aggrieved and came up in appeal, and the Collector heard the appeal but he was not prejudiced by the fact that it was against this instruction that the appeal had come

but he applied his mind dispassionately and came to a finding." The Secretary, Revenue and Expenditure stated "On principle would it not be considered a good thing that the officers in discharge of their duties recognise the distinction between the orders which they pass in an executive capacity and the decisions which they take in a quasi-judicial capacity so that when the audit objection came the obvious course for him in the executive capacity is to issue a demand notice and that would set in motion the quasi-judicial proceedings and a party re-assessed. I should have thought that if officers are able to keep these two roles distinct and maintain their independence of views on the quasi-judicial aspect irrespective of whatever action they may have initiated in the executive capacity that is something which should not be unwelcome." The Committee were also informed by Audit that it was not the same Collector but Collector in-charge of the same Collectorate who reduced the demand in appeal.

3.70. The Committee regret to note that in this case movement of cloth in bond was allowed from one factory to another in contravention of Rule 96 of the Central Excise Rule. Although the bulk of the cloth was not to undergo the process of bleaching at all, it was allowed to be cleared in bond to the second factory. This resulted not only in the postponement of payment of duty but also the loss of duty (about Rs. 6.43 lakhs) because of occurrence of rags, chindies and fents in the process of machine embroidery in the second factory. Even though the Board issued orders in July, 1962, to stop this practice and Audit also brought this to notice in November, 1962, the irregularity continued till February, 1964. The Committee would like to know the action taken against the officers responsible for the delay in stopping this irregular practice and the consequent loss of revenue.

*Irregular unauthorised and exgratia refunds etc.—Para 31(a), page - 39.*

3.71. Tyres of motor vehicles are assessable at the *ad valorem* rate of 40 per cent under Tariff item No. 16. Special excise duty is also leviable at 20 per cent of the basic duty.

3.72. A manufacturer of tyres and tubes enhanced prices of his products from 4th March, 1963 and paid duty on the enhanced value till 22nd May, 1963. The manufacturer reverted on 22nd May, 1963 to the original selling prices. It was stated that this reversion to the original selling prices was with retrospective effect from 4th March, 1963. On this ground, the Central Excise Department approved the prices which were prevalent prior to 4th March, 1963 for the levy

of duty and refunded duty amounting to Rs. 8,81,788. This refund is irregular because:—

- (i) reduction in price list with retrospective effect will not entitle the seller to any abatement of duty and consequent refund; and
- (ii) refund under rule 11 of the Central Excise Rules can be granted only if duty was paid through inadvertence, error or misconception.

3.73. The Committee asked whether the Department were satisfied that the manufacturer had refunded the excess price to the customers. The representative of the Board stated that in this particular case refunds were granted after having satisfied in each and every case that the excess collections had been refunded by the manufacturer to the customers. In each and every case, there was an invoice matched by credit memo and the officers satisfied themselves that the excess amount collected had been refunded.

3.74. The Committee asked about the justification for the Collector at his own level to depart from the instruction laid down in para 76 of the Manual of Departmental Instructions:

“Reduction in price list with retrospective effect will not entitle the seller for any abatement of duty and consequent refund. Such claims are not admissible on the original payment of duty on higher prices which were not made through inadvertence, error or mis construction.”

3.75. The representative of the Board stated “In this particular case it was not a case of reduction with retrospective effect so far as the assessable value was concerned.” The Committee pointed out that the assessable value was based on the price and asked if the above view was the considered view of the Board. The Secretary, Revenue and Expenditure stated: “It is quite clear that the decision on this matter should have been taken at the level of Government and by the Board and that the Collector should not have acted on his own—whatever the economic justification for it be. Economic justification for consumer price policy and others, considerations should have gone into at the level of the Government—level of the Board—from where instructions should have been issued.” Asked if such a refund was given in any other case also, the representative of the Board stated “There is no other case at this time.”

3.76. The Committee take a serious view of the Collector allowing a refund of duty amounting to Rs. 2,81,722 in this case in contravention of the Central Excise Rules without making a reference to the Board. The Committee desire that the Board should examine this matter in all its aspects and take appropriate measures to ensure that such instances do not recur.

*The Omissions or Failures—Para 32(c), page 41*

3.77. With effect from 1st March, 1964, according to the tariff description of cotton yarn, sized yarn is a processed yarn falling within tariff Item 18-A. Both basic and special excise duty are leviable with effect from the said date at rates depending upon the counts.

3.78. It was, however, noticed that in a few Collectorates, the Central Excise Duty was realised on the basis of the weight of the unsized yarn and not on the weight of the yarn after sizing, as contemplated in the tariff. It was stated that this procedure was being followed on the basis of an order issued by the Central Board of Revenue in March, 1964. The order of the Board runs counter to the plain meaning of the tariff and has resulted in an under-assessment which has been estimated at Rs. 46,86,665 during the period 1st March, 1964 to 31st March, 1966 in respect of ten Collectorates.

3.79. The Committee asked whether the Ministry of Law had been consulted in this case. The Secretary, Revenue and Expenditure stated: "The matter was referred to the Law Ministry and there were differences even in the Ministry of Law on the opinion in regard to certain levies. Later, we have received a final opinion to the effect that the duty charged on unsized yarn is according to law." The Committee enquired if in view of a large amount of revenue involved in this case it would not be more appropriate to obtain the opinion of the Secretary of the Ministry of Law or the Attorney General. The Secretary, Revenue and Expenditure stated: "I too am feeling rather shaky as to whether one should not take really further advice on this from the higher authorities in the Law Ministry. On account of notional construction that since the mills have the freedom to sell them before sizing, after the sizing the added weight should be ignored and this should be correlated to the pre-sized state is something which would bear another look."

3.80. In a statement furnished to the Committee the Department of Revenue have stated that during the period 1st March, 1964 to 31st March, 1966 the estimated amount of duty foregone by assessing duty on the weight of unsized yarn and not on the weight of yarn after sizing amounts to Rs. 52,48,970.

3.81. In view of the fact that a large amount of revenue (Rs. 52,48,970) is involved in this case, the Committee desire that opinion of the Attorney General should be obtained as to whether the order of the Board issued in March, 1964 that duty should be realised on the weight of unsized yarn rather than on the weight of yarn after sizing was correct.

*Other Topics of Interest—Para 33 (d) Pages 42-43*

3.82. Cotton yarn was made dutiable with effect from the 1st March, 1961. The excise levy was fixed at certain specific rates based on the weight of yarn and dependent on the count. In respect of yarn that went in the process of fabrication in composite mills having spinning plants and weaving units, a compounded system of levy was introduced by Rule 96 W of the Central Excise Rules, under which the collection of duty was postponed to the fabric stage where the assessment was to be done at special rates depending on the area of the fabrics and the count of yarn used therein.

3.83. It was noticed in some composite mills that certain types of fabrics like spindle tape, turkish-towels etc., consumed more yarn in their weaving than ordinary fabrics of the corresponding variety; but as the mills had opted for the compounded levy, duty was collected thereon on the area of these fabrics. The loss of revenue to Government during one year (1962-63) on account of levy of duty at compounded rate in respect of the aforesaid varieties, amounted to Rs. 2,31,001 in seven Collectorates.

3.84 The Ministry have replied that though in principle it may be attractive to recover yarn duty at rates higher than the compounded rate, for fabrics which consume more yarn, in practice, it will be difficult to work it out. However, the Ministry could have fixed at least a higher rate of compounded levy for yarn consumed in the manufacture of these **special fabrics**.

3.85 The Committee asked about the basis adopted to find out whether a fabric was an ordinary fabric or special fabric and the justification for charging compounded duty in respect of high yarn consuming items like turkish towels and spindle tape at the rates prescribed for ordinary fabrics. The representative of the Board stated: "Compounded rates of yarn duty have been evolved by way of simplification of the administration and that is based on averages. It has been prescribed keeping in view the estimated average area of fabrics that can be woven out of one kilogram of yarn, of the different categories of fabrics—superfine, fine, medium and coarse...

.....For these different types of fabrics, in these cases the average count of each can be determined according to the formula prescribed in the tariff itself. The special types of compounded levy have been prescribed so far for two types of cloth, malimo type fabric and specially woven tapestry or upholstery where two layers are inter-woven. This has been done because their average count cannot be determined according to the accepted formula. Of course, it is quite correct to say that the incidence of duty is not quite equitable. But this is an argument which will hold good even in the case of cotton fabrics. There are different types of cotton fabrics. There are cases where the incidence of duty cannot be correlated to the value. Where the average count of fabric under anyone of the four categories, superfine, fine, medium and coarse, is determinable, the compounded rate of yarn duty has been prescribed. Where the average count is not determinable, the item is assessable under not otherwise specified category. The two cases under reference here—the spindle tape and the turkish towel—fall under this category. Special compounded levy rates had not been evolved for this purpose.” The witness added “In the case of turkish towels and spindle tape, because they are closely woven, the incidence of compounded levy will be certainly lighter than on the effective rate basis. Similarly there are so many other varieties of cloth.”

3.86 It was pointed out to the witness that according to the explanation to the notification issued under Rule 96(W) in 1965 of expression ‘cotton fabrics not otherwise specified’ meant mill-woven and tapestry. The Committee asked why high yarn consuming items like turkish towels and spindle tape were not taken up for working out average consumption of yarn and added to the list of varieties of cloth. The Secretary, Revenue and Expenditure started that “I think this suggestion is wholly deserving of examination.”

3.87 The Committee desired to know the other special type of fabrics which consumed more yarn than ordinary fabrics. In a note (Appendix XIV), the Department of Revenue have stated that it has been reported by the Collectors of Central Excise that apart from Turkish towel and spindle tape type of fabrics, and those fabrics which are classifiable as “not otherwise specified” category of fabrics, the following types generally consume more cotton yarn than ordinary cotton fabrics:—

- (i) Niwar-tape/candle wick.
- (ii) Bobby-weave fabrics.
- (iii) Flannel.
- (iv) Cotton blankets.
- (v) Canvas type fabrics, and
- (vi) Curtain cloth.

3.88. The Committee are not satisfied with the present practice of levying compounded rates of duty on high yarn consuming fabrics like turkish towels and spindle tape, which are applicable to ordinary fabrics of corresponding variety. The loss of revenue to Government during one year (1962-63) on account of the levy of duty at the compounded rate in respect of the aforesaid varieties amounted to Rs. 2,31,001 in seven Collectorates.

3.89. The Committee suggest that all such varieties should be taken up for working out the average consumption of yarn and added to the list of varieties of cloth.

*Frauds and evasions\*—Para 36, Page 47.*

3.90. The following statement gives the position relating to the number of cases prosecuted for offences under the Central Excise Law for fraud and evasion, together with the amount of penalties imposed and the value of goods confiscated:—

(1) Total number of offences under the Central Excise Law Prosecuted in Courts	10
(2) Total number of cases resulting in convictions	6
(3) Total value of goods seized	Not available
(4) Total value of goods confiscated	.
(5) Total amount of penalties imposed	Rs. 5,67,301
(6) Total amount of duty assessed to be paid in respect of cases where levy of duty was adjudged	Rs. 32,61,165
(7) Total amount of fine adjudged in lieu of confiscations	Rs. 4,48,052
(8) Total amount settled in composition	Rs. 1,75,096
(9) Total value of goods destroyed after confiscation.	Rs. 60,364
10) Total value of goods sold after confiscation	Rs. 82,558

3.91 In a note furnished to the Committee, the Department of Revenue have stated that the latest position is that out of total number of 10 cases of offences prosecuted in Courts, 9 have resulted in conviction and one case of Delhi Collectorate is still pending in court

3.92. The Committee reiterate the recommendation made in para 3.274 of their 44th Report (Third Lok Sabha) that in glaring cases of fraud and large scale evasion, the prosecution of delinquents is to be preferred to imposing penalties, as the former course would be a more effective deterrent.

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\*Figures furnished by the Ministry of France.

## IV

### GENERAL

4.1 The Committee have not made recommendations/observations in respect of some of the paragraphs of the Audit Report (Civil) on Revenue Receipts, 1967. They expect that the Department will none-the-less take note of the discussions in the Committee and take such action as is found necessary.

NEW DELHI;  
March 21, 1968  

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Chaitra 1, 1890 (Saka).

M. R. MASANI,  
Chairman,  
Public Accounts Committee.

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## APPENDIX I

Further information required by Public Accounts Committee on list of points received under Lok Sabha Secretariat Office Memorandum No. 15/1/67-PAC dated 30th October, 1967

### CUSTOMS

*Audit Report (Civil) on Revenue Receipts, 1966*

Para 18—Page 21—Delay in the disposal of confiscated goods.

1. It has been stated in the Ministry's note dated 14th April, 1967 vide their reply to point 13 (iv) that the files containing bid-lists for auction of confiscated pencils are not available. Under whose orders were these files destroyed and whether these were destroyed according to the procedure laid down in this behalf.

Another search for records relating to auctions of pencils has been made. Auctions of pencils were held at Silchar and Imphal. Bid lists of 1952 and for the period from 10th May, 1956 to 5th August 1957 in respect of auctions held at Imphal have been destroyed under the orders of the Superintendent of Central Excise, Silchar, in accordance with the prescribed departmental procedure. Some bid lists have now been traced. Particulars of the places and dates of auction and the results of auction as seen from the available records are indicated below:

Place	Date of auction	Result of auction
Imphal	30-7-59	Three lots of 164 pencils in all along with other fast-selling luxury articles were put to auction and were sold.
	20-8-59	Four pencils along with other fast-selling luxury articles were put to auction and were sold.
Silchar	27-6-58	Two lots of 16 gross 9 dozen pencils in all along with other goods and one lot of 166 gross pencils were put to auction but there was no bid.

Place	Date of auction	Result of auction
	30-7-58	15 gross 10 dozen and 10 pencils were put to auction along with other goods, but there was no bid.
	27-4-59	Four lots of 3 gross, 8 dozen and 4 pencils and some other goods were put to auction and sold.

3. It was stated during evidence that the audit objection in this case was raised in May, 1961 and the Department's reply was sent in October, 1964. Please state the reasons for delay of about 3-1/2 years in sending the reply and whether the delay was due to negligence and, if so, at what level.

The audit note of the Accountant General, West Bengal, was received by A. C. Silchar on 3rd July, 1961 and a reply was sent on 20th November, 1961. Subsequently, correspondence continued between the Assistant Collector and the A. G. West Bengal till 8th December, 1964. There has been delay in the office of the Assistant Collector in replying to the references received from the A.G. West Bengal. The Collector of Central Excise, Shillong, has been asked to examine if there has been negligence on the part of any official and, if so to take suitable action.

2. This has been vetted by the Audit.

*Joint Secretary to the Government of India.*

Min. of Finance (Deptt. of Revenue and Insurance),

U.O. F. No. 14/23/67-LCI dated 10th January, 1968.

## APPENDIX II

*Extract from the statement received under C. G. B. Shillong letter No. I(17) (ST)6/62 dated 10th March, 1967*

Particulars of Seized & confiscated Pencils put to auction in the Shillong Collectorate from 1953-1966

Case No.	Details of Lot		Place of auction	Date of auction	Reserve price fixed	Bid offered	
	Qty.	Value					
	G. D. No.	Rs. P.					
1	2	3	4	5	6	7	
<b>1953-54</b>							
1.	13/IMPH/53 dt. 7-10-53	24—0—0	192.00	Imphal	16-1-55 11-2-55 25-6-55	Nil	No offer
2.	14/IMPH/53 dt. 7-10-53	44—0—0	352.00	Imphal	—do—	Nil	No offer
3.	15/IMPH/53 dt. 7-10-53	46—0—0	368.00	Imphal	—do—	Nil	—do—
4.	16/IMPH/53 dt. 7-10-53	15—9—0	126.00	—do—	—do—	Nil	—do—
5.	17/IMPH/53 dt. 24-11-53	12—0—0	216.00	—do—	—do—	Nil	—do—
6.	18/IMPH/53/U.C. dt. 11-12-53	12—11—0	230.00	—do—	—do—	Nil	—do—

1954—55

1.	13/IMPH/54 dt. 13-5-54	16—0—0	128·00	—do—	16-1-55 Nil 11-2-55 25-6-55 10-5-55	—do—
2.	14/IMPH/54 dt. 7-6-54	20—0—0	200·00	—do—	25-6-55 Nil	—do—
3.	20/IMPH/54 dt. 4-7-54	20—0—0	180·00	—do—	—do— Nil	—do—
4.	6/NCC/54 dt. 14-9-54	12—1—3	174·20	Silchar	25-6-55 10-5-56	Failed
5.	2/54/Katichena dt. 27-2-54	0—0—6	2·00	—do—	27-6-58 Re. 1·00 R.P 30-7-58	No bid
6.	PI/3/LC/55 dt. 14-2-55	7—0—3	73·50	—do—	30-7-58 18-1-56	No offer 1001·00 (with other goods)
7.	15/Impl./55 dt. 11-3-55	73—0—0	876·00	—do—	2-8-56 R.P. Rs. 8466·00 by A.C (Silchar)	Auction withheld for low bid
8.	PI/20/LC/55 dt. 24-3-55	0—5—0	5·00	—do—	30-7-58 No offer 18-1-66 R.P. 9·00 (with other goods)	No offer
9.	DPS/2/LC/55 dt. 27-1-55	0—6—5	5·69	—do—	27-6-58 30-7-58 18-1-66	No offer] No offer Sold with other goods

1	2	3	4	5	6	7
10. P1/8/LC/55/SIL dt. 15-3-55	0-1-4	2.00	Silchar	30-7-58 April/59		No offer S.P Rs.8 00
11. P2/9/LC/Sil/55 dt. 15-3-55	0-1-2	1.75	—do—	30-7-58 April/59		No offer S.P 9.00
12. P1/SIL/55 dt. 8-7-55	0-8-3	8.00	Imphal	April/59	R.P 15.00	No Bidder
13. 37/P1/LC/55 dt. 4-6-55 (of Silchar)	166-0-0	2490.00	Silchar	27-6-57	R.P 3000.00	No Bidder

### APPENDIX III

#### Statement 1

Statement showing value of Confiscated goods prior to 1963-64 and Pending Disposal.

Name of Custom House/Collectorate	As on 31-8-66	As on 1-12-66	As on 1-4-67
	Rs.	Rs.	Rs.
<i>Custom Houses</i>			
1. Bombay . . . . .	28,62,794	28,57,643	24,62,960
2. Calcutta . . . . .	27,94,882	22,29,183	20,75,051
3. Madras . . . . .	7,86,600	7,83,605	3,72,203
4. Cochin . . . . .	2,32,046	2,32,046	2,32,046
5. Pondicherry . . . . .	2,671	2,671	2,671
6. Goa . . . . .	150	150	42
7. Visakhapatnam . . . . .	1,355	1,355	1,355
8. Kandla . . . . .	..	..	..
<i>Central Excise Collectorates.</i>			
1. Nagpur . . . . .	7,367	7,367	7,367
2. Allahabad . . . . .	13,766	13,766	8,766
3. Bangalore . . . . .	5,069	4,958	1,422
4. Poona . . . . .	..	..	..
5. W. B., Calcutta . . . . .	5,42,048	5,16,898	5,15,898
6. Shillong . . . . .	5,27,514	1,36,009	1,22,045
7. Bombay . . . . .	2,48,176	2,44,398	2,43,059
8. Baroda . . . . .	1,64,706	1,54,904	80,930
9. Patna . . . . .	2,508	2,508	2,508
10. Kanpur . . . . .	1,658	1,658	1,658
11. Cal. & Orissa . . . . .	..	..	..
12. Hyderabad . . . . .	5,452	5,452	5,452
13. Delhi . . . . .	34,71,919	34,70,027	30,42,110
14. Madras . . . . .	19,11,493	18,78,040	6,15,414
<b>TOTAL</b> . . . . .	<b>1,35,81,174</b>	<b>1,25,42,638</b>	<b>97,92,957</b>

## Statement II

*Statement showing the value of goods confiscated during the financial year 1963-64*

Name of the Custom House/Central Excise Collectorate	Book value of goods confiscated during the year	Book value of goods pending disposal on 1.9.66	Book value of goods pending disposal on 1.12.1966	Book value of goods pending disposal on 1.4.67
	Rs.	Rs.	Rs.	Rs.
<i>Custom Houses</i>				
1. Bombay . . . . .	54,23,056	28,21,080	27,71,142	26,93,228
2. Calcutta . . . . .	24,34,940	12,70,058	9,61,000	8,94,702
3. Madras . . . . .	[26,23,291	1,57,993	1,07,015	43,608
4. Cochin . . . . .	1,28,518	[68,282	56,115	54,212
5. Goa . . . . .	8,233	881	881	426
6. Pondicherry . . . . .	1,12,074	4,796	[4,796	950
7. Visakhapatnam . . . . .	48,888	4,206	[4,206	4,206
8. Kandla . . . . .	25,330	610	600	600
<i>Central Excise Collectrates</i>				
1. Allahabad . . . . .	41,368	3,896	3,896	3,896
2. Bombay . . . . .	56,42,481	42,90,594	42,77,254	42,75,155
3. Baroda . . . . .	2,07,428	65,208	[55,856	46,428
4. Bangalore . . . . .	5,89,123	4,50,001	[4,47,976	4,15,497
5. Cal. & Orissa . . . . .	57	57	57	57
6. Delhi . . . . .	26,01,703	7,88,834	7,49,009	6,94,016
7. Hyderabad . . . . .	4,77,120	87,471	87,471	84,121
8. Kanpur . . . . .	39,347	718	718	..
9. Madras . . . . .	30,48,688	11,50,326	9,78,464	2,88,745
10. Nagpur . . . . .	34,882	9,391	9,391	9,391
11. Patna . . . . .	43,857	8,228	8,228	8,002
12. Poona . . . . .	'93,094	6,664	5,938	1,903
13. Shillong . . . . .	4,25,027	40,171	22,578	18,533
14. W. B. Calcutta . . . . .	10,90,389	2,40,452	2,11,050	1,31,000
<b>TOTAL</b> . . . . .	<b>2,51,40,894</b>	<b>1,14,69,926</b>	<b>1,07,62,930</b>	<b>96,68,676</b>

### Statement III

Statement showing the value of goods confiscated during the financial year 1964-65

Name of the Custom House/ Central Excise Collectorate	Book value of goods confiscated during the year	Book value of goods pending disposal on 1.9.1966	Book value of goods pending disposal on 1.12.1966	Book value of goods pending disposal on 1.4.1967
	Rs.	Rs.	Rs.	Rs.
<i>Custom Houses</i>				
1. Bombay . . . . .	70,84,939	34,28,756	32,56,188	30,38,011
2. Calcutta . . . . .	33,94,760	7,53,907	7,07,784	6,57,675
3. Madras . . . . .	30,23,591	11,37,893	11,22,974	10,46,004
4. Cochin . . . . .	1,31,378	1,16,722	1,04,104	1,01,316
5. Goa . . . . .	23,629	12,300	12,285	6,666
6. Pondicherry . . . . .	19,136	12,799	2,799	1,299
7. Visakhapatnam . . . . .	59,695	6,947	6,837	15,387
8. Kandla . . . . .	4,787	—	—	—
<i>Central Excise Collectorates</i>				
1. Allahabad . . . . .	46,261	2,628	2,508	2,508
2. Bombay . . . . .	19,99,327	32,04,427	31,19,098	28,02,694
3. Baroda . . . . .	2,09,814	1,07,749	1,02,743	41,805
4. Bangalore . . . . .	3,18,561	1,98,982	1,83,612	1,30,504
5. Cal. & Orissa . . . . .	21,238	20,742	14,492	14,492
6. Delhi . . . . .	10,18,205	10,58,581	10,29,091	8,73,105
7. Hyderabad . . . . .	4,12,372	3,82,805	3,82,805	3,58,317
8. Kanpur . . . . .	93,438	81,509	181,509	52,818
9. Madras . . . . .	21,32,129	13,95,782	12,66,267	11,29,613
10. Nagpur . . . . .	3,03,334	1,42,333	1,17,473	51,180
11. Patna . . . . .	48,699	10,453	10,453	10,393
12. Poona . . . . .	1,41,785	1,02,955	1,02,955	98,362
13. Shillong . . . . .	3,80,037	146,926	22,883	10,216
14. W. B. Calcutta . . . . .	22,35,158	9,01,490	6,55,778	6,96,500
<b>TOTAL</b>	<b>2,70,92,273</b>	<b>1,31,46,686</b>	<b>1,25,04,638</b>	<b>1,11,25,805</b>

### Statement IV

*Statement showing the value of goods confiscated during the financial year 1965-66*

Name of the Custom House/ Central Excise Collectorate	Book value of goods confiscated during the year	Book value of goods pending disposal on 1.9.1966	Book value of goods pending disposal on 1.12.1966	Book value of goods pending disposal on 1.4.1967
<i>Custom Houses</i>	Rs.	Rs.	Rs.	Rs.
1. Bombay . . . . .	50,78,959	44,77,258	42,30,020	36,04,615
2. Calcutta . . . . .	34,94,133	10,82,585	10,48,679	9,83,652
3. Madras . . . . .	34,33,619	9,61,839	8,94,346	5,88,674
4. Cochin . . . . .	1,95,477	1,04,436	69,927	38,640
5. Goa . . . . .	71,386	48,764	48,764	40,370
6. Pondicherry . . . . .	1,70,741	60,347	60,347	38,180
7. Visakhapatnam . . . . .	2,06,108	58,027	57,239	28,752
8. Kandla . . . . .	21,596	1,506	509	176
<i>Central Excise Collectorates</i>				
1. Allahabad . . . . .	1,20,216	1,10,827	1,04,157	59,831
2. Bombay . . . . .	1,48,53,001	1,03,22,469	1,02,07,358	1,01,59,247
3. Baroda . . . . .	3,71,471	4,33,833	3,98,363	3,02,533
4. Bangalore . . . . .	4,80,942	4,62,311	4,33,927	3,93,845
5. Cal. & Orissa . . . . .	51,093	38,746	19,998	19,996
6. Delhi . . . . .	23,22,386	13,49,942	13,15,493	11,06,392
7. Hyderabad . . . . .	3,75,261	3,03,851	3,03,091	2,87,180
8. Kanpur . . . . .	76,445	41,039	41,039	35,571
9. Madras . . . . .	27,78,232	19,21,159	18,81,880	15,66,182
10. Nagpur . . . . .	78,777	62,577	54,535	54,235
11. Patna . . . . .	58,354	20,869	20,869	20,322
12. Poona . . . . .	2,50,118	2,84,233	2,84,188	2,75,517
13. Shillong . . . . .	5,13,040	1,73,661	72,879	31,106
14. W. B. Calcutta . . . . .	24,46,805	15,37,184	15,27,194	14,66,000
<b>TOTAL</b>	<b>3,74,48,150</b>	<b>2,37,57,463</b>	<b>2,30,74,802</b>	<b>2,10,83,418</b>

**Statement V**

*Statement showing the value of goods in respect of which Appeals/Revision petition/  
Court Cases are pending as on 31-7-1967.*

Custom House/Collectorate	pre-1963-64	1963-64	1964-65	1965-66
	Rs.	Rs.	Rs.	Rs.
<i>Custom Houses</i>				
1. Bombay . . . . .	1,14,596	1,59,501	3,65,585	4,21,042
2. Calcutta . . . . .	5,37,312	6,765	1,09,555	2,49,386
3. Madras . . . . .	..	..	..	1,94,273
4. Cochin . . . . .	..	..	23,562	..
5. Goa . . . . .	..	..	..	13,466
6. Pandicherry . . . . .	..	..	..	..
7. Visakhapatnam . . . . .	..	..	..	..
8. Kandla . . . . .	..	..	..	..
<i>Central Excise Collectorates</i>				
1. Allahabad . . . . .	..	..	3,191	13,660
2. Bombay . . . . .	28,744	2,15,299	2,29,657	4,16,145
3. Baroda . . . . .	3,404	2,176	11,147	2,14,371
4. Bangalore . . . . .	..	3,95,498	1,12,322	3,37,989
5. Cal. & Orissa . . . . .	..	..	6,249	19,998
6. Delhi . . . . .	32,800	..	17,704	38,851
7. Hyderabad . . . . .	705	34,626	59,878	1,83,301
8. Kanpur . . . . .	..	..	13,000	18,605
9. Madras . . . . .	4,480	..	21,092	19,448
10. Nagpur . . . . .	3,367	8,650	33,855	33,530
11. Patna . . . . .	..	..	..	..
12. Poona . . . . .	..	1,763	76,158	2,30,292
13. Shillong . . . . .	90,144	11,200	5,137	12,975
14. W. B. Calcutta . . . . .	..	3,506	33,000	52,758
<b>TOTAL</b>	<b>3,15,552</b>	<b>8,38,984</b>	<b>16,21,092</b>	<b>20,70,090</b>

### APPENDIX IV

*Statement showing the position regarding cars in the custody of the department on 31-12-66 for violation of Customs laws.*

Sl. No.	Particulars of the cars	Date of seizure	Value at the time of seizure in Rs. 000	Date of confiscation	Date of disposal	Value realised on disposal in Rs. 000	Reasons for variation between Cols. 4 and 7	Reasons for non-disposal
1	2	3	4	5	6	7	8	9
<i>Custom House Bombay</i>								
1	TRB-2882 Chev. BIS-CAYNE	20.12.61	20.00	28.2.62	31.1.67	23.20		
2.	WBD-7458-Dodge	15.5.62	8.00	19.10.66				
3.	MR-1794 Taken Chev Impala over from BPT on	26.9.62	62.00	18.9.62				Could not fetch reserve price.
4.	KAU-530 Humber Saloon	17.7.63	5.00	4.11.63				
5.	RAF-482 Taken over from Chev. Impala BPT on	24.5.63	60.00	30.4.63	31.1.67	21.00		

6.	USQ-9621 Chev. Impala.	7-8-63	60.00			Court case
7.	BYJ-6849 Fiat 1100	2-12-63	9.50	6-2-65		Revision petition.
8.	APX-3826 Ford	4-1-64	7.00			Under adjudication.
9.	WBE-6397 Amb.	28-2-64	30.00			} Prosecutions proceed- ings going on.
10.	DLI-3401 Fiat 1100					
11.	MRX-7394 M/Benz	10-4-64	45.00			Under adjudication.
12.	NM-8236 Chev.	21-4-64	10.40	4-8-64		R. P. admitted.
13.	ICC-05-27 Peugeot	5-5-64	22.00			Under adjudication.
14.	KFR-433 Opel Saloon	13-7-64	4.00 (Carnet value)	12-1-65		
15.	5745-NR-75 Cadillac white	26-10-64	10.50	12-8-66		
16.	MSS-1584 Ambassador	27-12-64	9.00			Prosecution in pro- gress.
17.	MHP-1506 Chrysler	27-12-64	5.00			—do—
18.	DLI-9420 Fiat	13-6-65	13.00	25-8-66	Allotted to Cus. House for Deptl. use on 22-5-67	
19.	4564-HS-75 Renault	taken over from PBT on 23-1-65:	14.00	10-4-65		
20.	BMZ-2266 old mobile	12-4-65	7.00			Under adjudication
21.	AC-17968 Voxwagon	9-9-65	1.40 (Carnet Value)	9-6-67		

1	2	3	4	5	6	7	8	9
22	MRX-3332 Amb.	27-12-65	12-00					Court case.
23	ZH-7668-Z Chev. Impala	taken over from BPT on 5-3-66	40-00	13-4-64				
24	MLA-10-74 Metropolitan	taken over from BPT on 19-3-66	4-30	19-1-66				
25	9214-LU-75 Citron	19-3-66	8-50	6-11-65				
26	Peugout-404	taken over from BPT on 4-4-66	35-00	19-8-65	30-6-67	43-00		
27	APU-5528 Ambassador	15-4-66	13-00					Under investigation
28	BMU-8633 D'Soto Green	17-5-66	10-00	17-4-67				
29	MRX-9877 Ambassador.	23-5-56	11-00	17-7-67				Appeal period not over
30	MRZ-4124 Amb.	28-5-66	19-00	27-6-67				—do—
31	MRZ-4130 Fiat	9-6-65	12-00					Under adjudication
32	BM 7-7129 Amb.	14-6-66	15-00					Under investigation with intelligence Deptt.
33	MRY-8998 Amb	4-7-66	11-00					—do—
34	MRY-4316 M. Benz	8-8-66	25-00					—do—

35	BML-9825 Vanguard	.	21.9.66	7.00		<del>—do—</del>
36	MRZ-7886 Amb	.	23.9.66	12.00		Under investigation with intelligence Deptt.
37	MRW-7214 Chev	.	27.9.66	6.00		<del>—do—</del>
38	MRX-8417 M/Benz	.	30.9.66	30.00		<del>—do—</del>
39	BML-2868 Plymouth	.	4.11.66	8.00		<del>—do—</del>
40	MRY-4342 Amb.	.	22.11.66	10.00		<del>—do—</del>
41	KCR-779 Consul	.	17.12.66	4.00 (Carnet value)	18.3.67	<del>—do—</del>
42	MRZ-8965 Fiat	.	31.12.66	11.00		Under investigation with intelligence Deptt.

*Cochin Custom House*

NIL      NIL

*Custom House Vishakhapatnam*

NIL      NIL

*Custom House Kandla*

NIL      NIL

1	2	3	4	5	6	7	8	9
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**Customs House Calcutta**

43	Since Aronde	3.1.63	2.30	16.11.63	6.2.67	17.70		
44	Volkswagen	27.4.66	5.00	8.8.66	25.7.67	11.60		

**Custom House Madras**

45	Ford Custom-BMU 6169	28.9.63	6.00	2.6.64				Court case
46	Plymouth Savoy MDU 6434	28.9.63	15.00	2.6.64				Court case
47	Ambassador MDU 8773	31.10.64	10.00	8.3.67				
48	Fiat MYZ 601	1.9.65	5.00	17.10.66				
49	Buick Deluxe PD 2626	7.12.66	8.24	7.12.66				

**Custom House Goa**

NIL            NIL

**Custom House Pondicherry**

NIL            NIL

**GEN. EXCISE ALLAHABAD**

50	Vauxhall Model '56	22-8-64	9.00	23-2-66	22-2-67	Redeemed		
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51 International Harvester . . . . . 20-4-63 6.00 20-4-63

Case was put to public auction but could not fetch desired value. Efforts being made for sale.

**CEN. EXCISE BOMBAY**

52 Studebaker . . . . . 20-10-60 8.00 25-8-61 10-3-67 2.50

Not in Sound running condition.

Appeal pending.

53 Ford . . . . . 5-4-57 2.50 7-12-64

54 Cryster . . . . . 11-8-60 5.00 21-7-64 26-7-67 1.50

55 Ford . . . . . 6-5-61 2.50 20-5-66

Court case

56 Fiat . . . . . 18-4-62 10.00

Do.

57 Fiat . . . . . 19-4-62 10.00

58 Chevrolet . . . . . 14-11-62 10.00 6-8-67

59 Oldmobile . . . . . 22-12-62 5.00 23-5-66

60 Plymouth . . . . . 17-9-64 10.00 Not confiscated but released on 23-6-67

61 Fiat . . . . . 29-9-64 12.00 6-8-67

62 Fiat . . . . . 15-8-64 10.00

Pending adjudication

63 Fiat . . . . . 27-2-65 9.00 10-10-65 26-7-67 9.10

Increase of Rs. 100

1	2	3	4	5	6	7	8	9
64	Vauxhall	22-8-65	5.00	27-10-65				To be produced in Court as exhibit.
65	Willys	5-6-65	10.00	24-3-66				Ownership in dispute.
66	Fiat	5-4-65	12.00	16-4-66				Court case.
67	Fiat	9-3-65	10.00	7-9-65				
69	Fiat	1-4-64	10.00					Court case.
70	Ambassador	4-3-65	10.00					Pending adjudication
71	Morris	6-4-66	8.00	6-4-67				
72	Fiat	8-4-66	18.00	13-3-67		Allotted to the Deptt.		
73	Fiat	8-3-66	15.00					Pending adjudication
74	Ambassador	10-10-66	12.00					Do.
75	Amb.	2-11-66	9.00	Released on 2-12-66				
76	Amb.	27-11-66	12.00	6-4-67				To be produced in Court as exhibit.
<b>CEN. EXCISE BARODA</b>								
77	Amb. MRK 5470	19-12-64	15.00					

78	Thames BUC-910	12-1-65	20.00	30-3-66	1-4-67	17.20	61 model parts not available.
79	Fiat AR 9333	17-2-66	20.00				
80	Chevrolet BMU 4056	17-7-57	14.00				Court Case

**CEN. EXCISE BANGALORE**

81	Pontiac	15-9-63	3.00	14-7-65	3-5-67	3.74	
82	Standar J-10	21-7-64	8.00	19-10-66	3-4-67		Redeemed
83	Amb.	3-9-65	18.00	23-3-67			Prosecution pending
84	Amb.	21-10-65	10.00	21-5-66	23-2-67		Redeemed
85	Amb.	26-6-66	19.00				Pending adjudication

25

**CAL. & ORISSA Nil.**

**CEN. EXCISE DELHI**

86	DLF 8705	28-10-63	14.00				Court case.
87	Vol. Wagon Model 1957	14-10-63	3.33	16-4-64			
88	Austin KYJ 959	8-7-64	1.50	19-1-65			
89	Fiat DLI 3834	1-10-64	12.00				Pending adjudication
90	DLI 6468	30-12-64	20.00				Do.
91	Vauxhaul SDM 567	22-8-64	3.67	22-2-67			Redeemed for Rs. 3000/-

1	2	3	4	5	6	7	8	9
92	Cadillac 5162-102-710	26-10-64	2.00	12-8-66				Old damaged car
93	Ford Themes BUC 910	29-8-65	9.20	30-3-66	1-4-67	17.20		
94	Vauxhall 6643 MD	29-6-63	20.00	22-7-66				Not ripe for disposal
95	Opel 1999SS/9793	17-6-65	10.00	12-12-66				
96	Ford Themes YE 228-B	13-8-65	12.00	15-6-66				
97	Holden 53GRK 4679	9-2-66	2.50					Pending adjudication
98	Simka 2655/GT/75-F	23-4-66	6.00	26-8-66				Appeal pending
99	Ford Consule 375-NO-146	23-8-66	20.00	21-4-67				Do.
100	9254 MF	3-9-66	2.00					Pending adjudication
101	Chevrolet BL 19547	3-8-63	20.00	4-10-63				Could not fetch reserve price
102	Mercedez-Benz KAH 220	19-10-64	12.00	6-11-65				Allowed re-export
103	Chev. BR 8790	17-8-63	4.50	20-7-65				Could not fetch reserve price.
104	HHLS Benz 476 DLJ 1895	3-9-61	9.85	3-8-66	In Deptt. use			In Deptt. use.
105	PNG 1585	23-3-57	10.00	30-10-58				Court case.
106	Amb. DLF 2315	22-4-63	10.00					Pending adjudication
107	PNT 7769	8-5-64	15.00	31-8-65				Court case.
108	Ambassador DLE 9297	20-5-63	7.50					Pending adjudication

109	Fiat DLI 7670	18-10-64	15.00				Do.
110	Austin DLI 3325	12-10-64	15.00				Do.
111	Ambassador DLJ 9248	10-12-66	15.00				Do.
112	MR 7264	12-12-66	15.00				Ordered to be released.
113	Mercury 58/3239	22-10-58	18.00	23-2-59	17-2-67	34.00	
114	Buick 1955 CD 454	July 61	16.80	14-4-67			The car is lying at Bombay for disposal.

**CEN. EXCISE HYDERABAD**

115	One car Pontiac	7-10-62	5.00	13-12-63	14-4-67	1.75	Not Road-worthy
116	One car Pontiac	7-10-62	5.00	13-12-63	2-5-67	3.10	Do.

**CEN. EXCISE NAGPUR**

117	Volkswagon BTK 439	16-6-66	6.50	1-9-66			
118	COMMER UAN 613	16-7-64	2.00				

**CENTRAL EXCISE PATNA** Nil.

**CENTRAL EXCISE POONA**

119	Car	18-11-64	10.00	2-2-66			Appeal pending
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**CENTRAL EXCISE SHILONG** Nil.

1	2	3	4	5	6	7	8	9
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**WEST BENGAL CALCUTTA**

120	Amb. BE 7360	6-12-62	10.00	20-9-63				Since disposed of
121	Opel EE 798	17-6-65	40.00	22-12-66				Under appeal
122	Pontiac BC 7744	2-11-65	.25	8-7-66				Appeal rejected
123	Amb. BB 395	15-6-66	14.00					Pending adjudication
124	Amb. BG 530	13-12-66	12.50					Do.
125	Buick TYE 63	23-4-65	9.00	29-9-65				Could not fetch re- serve price.
126	WBQ 438	28-7-66	20.05					Pending adjudication
127	BA2715	20-11-66	12.02					Do.
128	WBA 5633	20-11-66	15.02					Do.

**GEN. EXCISE MADRAS**

129	KLR-2667	29-3-61	1.75	18-8-63	14-7-67	.65	Condition of the car not good.
130	MSY-9476-Chev	10-11-62	10.00	24-1-64	9-5-67	8.30	
131	MDY-3496-Ford	29-5-65	2.00	24-2-66	14-7-67	1.20	Condition of the car not good.
132	MYb-6271 Amb.	18-2-66	12.00		3-5-67	8-5-67	Redeemed

133	MYM-365 Amb	18-2-66	9.00	3-5-67	8-5-67	Do.	
134	MYE 265 Amb	18-2-66	9.00	3-5-67	8-5-67	Do.	
135	MYB-6415-Amb	9-3-66	10.00		6-1-67	Released	
136	MSX-7583-Amb	16-10-66	8.00		16-2-67	Provisionally released	
137	MSZ-4665 Hilman	5-11-66	4.00	14-2-67	7-6-67	Redeemed	
138	MDO-2443	17-11-66	2.00	18-1-67	22-6-66	Do.	
139	MYB-7979-Amb	11-12-66	12.00		23-2-67	Released provisionally	
140	MSV-4919-Amb	25-12-66	14.00		25-2-67	Do.	
141	HLQ-507-Ford	12-9-65	6.50	20-3-67			Under appeal
142	MSS-4926 Desoto	5-4-66	2.00	28-4-66		Redeemed	
143	MSY-4001-Land Master	30-6-65	6.50				Pending adjudication
144	MSV-85-Amb	14-3-66	10.00				Do.
145	MSW 8024-Amb	14-3-66	10.00				Pending adjudication
146	MSW-8739-Amb	10-6-66	10.00				Pending adjudication
147	MYB-6565-Pon	8-10-66	3.00				Do.
148	MDU-2750-Old mobile	12-11-66	2.00				Do.
149	KLA-869-Amb.	10-12-66	10.00				Do.
150	MSV-711-Studebaker	10-11-62	7.50	27-12-63			
151	MSP-4088-Amb	25-9-64	8.00	20-3-66			

1	2	3	4	5	6	7	8	9
152	MDU-8420-Standard	18-11-59	2.00	22-10-60				
153	MDO-1677-Pontiac	27-3-66	2.00	28-10-66	23-8-67	1.9		
154	MSZ-1224 Desoto	13-3-66	2.50	1-8-66	20-3-67	1.6		
155	MBC-4111-Chev	26-6-66	5.00	14-2-67				
156	CU-5039-Austin	26-11-64	3.19	30-3-65				
								Ordered to be released to the party
<b>G. TOTAL : 156</b>					39			

## APPENDIX V

### *Statement showing particulars of 4 cases involving payment of rent to Port Trust for custody of confiscated goods by the Madras Custom House*

I Description of the goods.	174 cases wired cast glass.
Date of landing of the goods.	3-12-58.
Date of adjudication proceedings relating to the import.	1-7-60
Assessable value.	Rs. 44,898.00
Substance of proceedings.	M/s. Sha Taraji Mangilal filed Bills of Entry along with import licence in the name of M/s. Globe Engineering and Trading Co., Delhi and a letter of authority. Since the letter of authority was found to be forged, the goods were confiscated.
Date of final clearance.	21-8-1963.
Reasons for delay, if any, in the clearance of the goods since they became ripe for disposal.	After confiscation of the goods, the party filed a writ petition in the Madras High Court, who quashed the Collector's order. However M/s. Sha Taraji Mangilal could not clear the goods, even after court's order against the forged letter of authority ; and hence the goods were abandoned. The P.T. had claimed rent charges from the date of confiscation to the date of vacation of the confiscation order by the court. It will be appreciated that due to the Court's injunction, the C.H. was unable to dispose of the goods during the period for which the rent had been charged.
Bond rent paid.	Rs. 2,599.35.
Value realised by sale of goods.	The goods were sold by the Madras Port Trust for Rs. 1,16,000.00 as uncleared goods.
Duty leviable at the time of import.	Rs. 31,428.60

The reasons for depreciation in value of the goods wherever the sale proceeds were less than the original value of the goods.

2 Description of the goods. . .	1080 drums H.S.D. Oil.
Date of Landing of the goods. . . . .	19-6-1950.
Date of adjudication proceedings relating to the import. . . . .	24-2-1951.
Assessable value. . . . .	Rs. 83,160.00.
Substance of proceedings. . .	Goods were imported in contravention of I.T.C. regulations.
Date of final clearance. . .	1043 drums on 26-10-57 and 37 drums on 17-1-1958.
Reasons for delay, if any, in the clearance of the goods since they became ripe for disposal.	After confiscation of the goods, the petitioner's appeal and Revision Application were also rejected. Thereafter, the party filed a writ petition in the High Court, who issued an injunction restraining C.H. from disposing of the goods till disposal of the writ petition. The writ was ultimately dismissed on 20-8-54. Since during the period when the writ petition was pending the goods had deteriorated in quality considerably and as part of the oil was lost on account of leakage, attempts to sell them by auction on 3 occasions were not successful. Ultimately a private offer of Rs. 16,385.13 P. was accepted and goods sold.
Bond rent paid.	Rs. 1,00,000
Value realised by sale of goods. . . . .	Rs. 16,385.81
Duty leviable at the time of import. . . . .	Rs. 9,112.50 (estimated).
The reasons for depreciation in value of the goods wherever the sale proceeds were less than the original value of goods.	Since the oil had deteriorated in quality considerably and part of it was also lost while in detention during the period when the Customs authorities had been restrained from disposing of the oil, there was depreciation in value.

- 3 Description of the goods. . . 8 bundles steel sheet cuttings.
- Date of landing of the goods. 4-1-61
- Date of adjudication proceedings relating to the import. . . . . 25-2-1961
- Assessable value. . . . . Rs. 8,165.00
- Substance of proceedings. Goods were imported in contravention of Import Trade Control Regulations.
- Date of final clearance. 29-3-1965.
- Reasons, for delay, if any, in the clearance of the goods since they became ripe for disposal. The importer filed an appeal and in the order in appeal dated 15-6-61, the redemption fine was reduced but the clearance was ordered to be allowed if the importer agreed to cut the sheets to small size. Thereafter the party filed a Revision Petition on 12-9-61 which was ultimately rejected on 23-2-1962. Thereafter the case file was recorded by mistake in the CH and the goods were ultimately sold on 29-3-1965.
- Bond rent paid. Rs. 7,720.28 claimed by Madras Port Trust but not paid so far.
- Value realised by sale of goods. . . . . Rs. 2,750.00
- Duty leviable at the time of import. . . . . Nil.
- The reasons for depreciation in value of the goods were less than the original value of the goods. The goods were stored in the steel dump in the open for the period from 1961-64 and the quality thereof had deteriorated due to exposure to sun and air and hence there was depreciation in value.
- 4 Description of the goods. 925 bags of cement.
- Date of landing of the goods. . . . . 8-1-1962.
- Date of adjudication proceedings relating to the import. . . . . 6-8-1962.
- Assessable Value. . . . . Rs. 5,905.00

Substance of proceedings.	Goods were imported in contravention of I.T.C. Regulations, and were mis-declared under Sea Customs Act. The importers paid the personal penalty levied but abandoned the goods on account of deterioration.
Date of final clearance.	29-3-1965.
Reasons for delay, if any, in the clearance of the goods since they became ripe for disposal.	The cement could not be sold because there was State Control on cement and permission of the Director of Industries, and Commerce, Madras was required. The concerned authorities were contacted. On inspection the authorities declined to give permission for sale as the goods had deteriorated. However, on 12-11-63, the Director of Industries & Commerce, Madras, gave consent for auction. The goods were ultimately sold in the auction held on 29-3-1965.
Bond rent paid.	Rs. 18,156.54 claimed by Madras Port Trust but not paid so far.
Value realised by sale of goods.	Rs. 710.00
Duty leviable at the time of import.	Rs. 995.38.
The reasons for depreciation in value of the goods wherever the sale proceeds were less than the original value of the goods.	There was depreciation in value because the cement had solidified due to moisture and exposure in the Port Trust premises and was rendered almost useless.

## APPENDIX VI

*Statement Showing loss of confiscated goods while in the custody of the Port Trust.*

S. No.	Collectorate/ Custom House	Description of goods	Date of confiscation	Quantity lost	Value of goods lost	Remarks
1	2	3	4	5	6	7
1.	Baroda C.E.	Cycle Dynamo Lighting Armature.	14-4-59	47 Armatures. 41 wires 51 clamps out of total con- signment of 15,000 armatures.	Rs. 306/-	The goods were in the custody of Port Trust authorities at Bhavnagar at the time of confisca- tion by the Collector. A writ Petition was filed by the party against the orders of the Collec- tor in the Punjab High Court. The writ was dismissed on 14-3-67. only. The pilferage was noticed in April, 1966 and a complaint was filed with the Police. It has resulted in the

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arrest of the culprits concerned and the case is still in progress.

2. Madras C.H. . High Speed diesel oil.

24-2-51 537 out of 1080 drums.

66774-87

The goods were confiscated by the Collector for contravention of ITC regulations. The appeal as also the revision petition filed by the parties were rejected. A writ petition was then filed in the High Court of Madras and an injunction restraining the Deptt. from disposing of goods was also taken. The writ was ultimately dismissed in August, 1954. Due to the storage of the drums in open yard for long time there was considerable leakage of oil from nearly 537 drums, out of the total consignment of 1080 drums.

3.	Calcutta C.H.	Steel Roller Chain	4-7-59	2 out of 53 cases.	487.00
4.	Do.	Springs for printing machines.	8-9-59	1 case	240.00
5.	Do.	Malt Extract B.P.	20-1-59	19 drums	7283.00
6.	Do.	Motor Starter	12-11-57	1 case	940.00
7.	Do.	Weighing balance and parts.	4-5-59	2 cases	751.00
8.	Do.	Personal effects	16-9-58	1 case	303.00
9.	Do.	Electric Fuse Links	22-6-60	1 case	2048.00
10.	Do.	Ultra marine blue	17-6-60	1 Barrel out of 240 Barrels.	85.00
11.	Do.	Buckles	3-4-65	1 out of 16 cases.	365.00
12.	Do.	Buckles	3-4-65	13 out of 29 cases.	4914.00
13.	Do.	Polythene Moulding Powder.	18-2-66	2 out of 67 bags.	95.00
14.	Do.	Tractor Pumps and Fertiliser Mixer.	4-11-65	1 out of 3 cases.	1748.00
15.	Do.	Polyster fibre filament yarn.	29-4-67	83 out of 153 Cartoons.	27794.00

3 to 15 :

In all these cases goods were confiscated for contravention of ITC regulations. In respect of serial numbers 11 to 15 the pilferage occurred even before confiscation. These goods continued to lie in Port Trust custody till finalisation of the adjudication proceedings even after confiscation as the parties were given option to redeem the goods on payment of suitable fine, the goods were allowed to remain in the custody of Port Trust for some time to enable the parties to take clearance. As these were not cleared within a reasonable time the goods were shifted to the confiscated warehouse for subsequent disposal by auction. The pilferages noted in all these cases have been

1	2	3	4	5	6	7
						duly reported to the Police.
16.	Bombay C.H.	Steel Sheet Castings	..	..	2,813.00	In these cases the circumstances of the loss are not readily available.
17.	Do.	Stainless Steel Sheets	..	..	657.00	
18.	Do.	Steel Castings	..	..	1,198.00	
19.	Do.	Tool & Alloy Steel	..	..	not available.	
20.	Do.	Polyethelene Glycel	..	..	3,644.00	
21.	Do.	Art Silk piece goods	..	..	883.00	
22.	Do.	Star Aniseed	..	..	302.00	
23.	Do.	Starter Altum Unit	..	..	10,000.00	
24.	Do.	Spare parts of 4 colour ruller printing machine	..	..	6,164.00	
25.	Do.	Bolts & Nuts	..	..	657.00	
26.	Do.	Lead screws & Brass Bolts	..	..	1,348.00	
27.	Do.	Coal tar dyes	..	..	77.00	
28.	Do.	Abruninc gracium	..	..	742.00	
29.	Do.	Carbon Powder Black	..	..	995.00	
30.	Do.	6 Ctns. Polyster yard	..	..	900.00	
31.	Do.	1 piece second hand car axle. Vehicles	..	..	535.00	
32.	Do.	9 piece second hand axle vehicles	..	..	914.00	
33.	Do.	7 pieces, stainless steel-sheets	..	..	21,273.00	

34.	Do.	401 pcs. wheel discs	..	..	5,366.00
35.	Do.	7 drums M. V. Parts	..	..	5,016.00
36.	Do.	5 cartus M. V. parts	..	..	1,100.00
37.	Do.	614 pcs M. V. Parts	..	..	3,825.00
38.	Do.	77 sets M. V. Parts	..	..	630.00
39.	Do.	1 case sealed beams	..	..	15.00
40.	Do.	3 cases sealed beams	..	..	63.00
41.	Do.	30 sets M. V. Parts	..	..	209.00
42.	Do.	46 sets M. V. Parts	..	..	394.00

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**APPENDIX**

*Statement showing the bounty net profit to the concerned Port Trust/other bodies by various*

Name of Custom House/Collectorate	1957-58	1958-59	1959-60	1960-61	1961-62
1	2	3	4	5	6
*1. Bombay C.H. . . . .	..	..	..	..	..
†2. Calcutta C. H. . . . .	..	..	2,523.00	12,318.00	12,318.00
3. Cochin C. H. . . . .	..	..	9,121.40	3,114.41	..
**4. Pondicherry C.H. . . . .	261.37	..	..	..	..
5. Madras C. H. . . . .	411.37	805.94	933.34	34,706.13	990.63
6. C. E. Collect., Baroda. . . . .	..	..	..	..	..
7. C. E. Collect., Madras. . . . .	341.87	..	..	..	247.04
<b>TOTAL</b>	<b>1,044.61</b>	<b>805.94</b>	<b>12,637.74</b>	<b>50,138.54</b>	<b>13,555.67</b>

**GRAND TOTAL**

**VII.**

*Customs formations for keeping custody of confiscated goods during 1957-58 to 1966-67*

1962-63	1963-64	1964-65	1965-66	1966-67	Remarks
7	8	9	10	11	12
12,318.00	12,318.00	12,318.00	12,318.00	12,434.00	*There is no formal agreement between the Bombay Customs & the Bombay Port Trust with regard to the payment of bond rent. However, the Port Trust have put in a No. of bills which are, at present the subject of settlement between the Customs House & the Port Trust Authorities.
2,801.70	1,179.27	..	593.27	..	
..	5,484.07	89.82	105,152.61	2,912.05	†Since 1960 the C.H. is utilising a warehouse hired from Fort Commars. on a fixed monthly rental for storage of confiscated goods, other than hazardous goods etc.
410.10	..	..	..	..	
422.16	8,549.88	..	2,952.00	7.80	*Confiscated goods are stored in the Agents' godown as there was no Port Trust shed.
15,951.96	27,531.22	12,407.82	121,015.88	15,353.85	

Rs. 2,70,443.23

## APPENDIX VIII

*Action taken on Para 82 of the Report of the Public Accounts Committee (1964-65) Twenty-Eighth Report (Third Lok Sabha)*

### MINISTRY OF FINANCE

(Department of Revenue and Insurance)

#### *Recommendation of the Committee*

82. The P.A.C. (1962-63) had expressed their concern that the differences between the Customs Department and the Bombay Port Trust had remained unresolved for a period of more than 11 years. They had hoped that the Ministries of Finance and Transport would smoothen their differences in a spirit of co-operation and arrive at agreed arrangements without any further delay. The Committee have been informed that an agreed formula has since been worked out by mutual discussion. They would like to be informed about (i) the details of the agreed formula, (ii) the position regarding its acceptance by the Ministry of Transport (to whom it is stated, it has been sent for acceptance), and (iii) the early implementation of the agreed arrangements.

#### *Action taken by the Government*

2. The dispute between the Bombay Port Trust and the Customs House Bombay as to the allocation of the proceeds of sale of abandoned and confiscated goods was finally settled at an inter-departmental meeting held on 10th May 1965. The following formula was arrived at at that meeting as regards the settlement of the outstanding cases.

(a) *As regards abandoned goods sold by Port Authorities:* The sale proceeds will be allocated according to the following priorities:—

- (i) Expenses of sale;
- (ii) General average and ship owner's lien for freight, if any;
- (iii) Customs Duty;
- (iv) Port Trust dues including landing and removal charges, wharfage, river dues and demurrage (at single and not penal rates) limited to a period of four months from the date of landing of goods.

- (v) I.T.C. fine and penalty, if any.
- (vi) Balance of port trust charges.
- (vii) Surplus, if any, to vest in the Port Trust or to be paid to the owner as the case may be.

3. It appears that under the Bombay Port Trust Act item No. (ii) has been given the first priority. There is no objection to items No. (i) and (ii) exchanging positions until the Act, so far as Bombay is concerned, is amended by the Ministry of Transport.

(b) *With regard to confiscated goods which had not been taken over by the Customs and were sold by the Port Trust authorities the allocation would be as follows:—*

- (i) Expenses of sale.
- (ii) Customs Duty.
- (iii) Port Trust dues including landing and removal charges and wharfage, river dues and demurrage (at single and not penal rates) limited to a period of four months from the date of landing of goods.
- (iv) Surplus, if any, to Customs.

(c) *With regard to confiscated goods sold by the Customs Department, the allocation may be in the following order:—*

- (i) Expenses of sale.
- (ii) Customs duty.
- (iii) Port Commissioner's landing charges (including wharfage, river dues, double removal) at a single rate and not penal rate limited to a period of four months from the date of landing of goods.
- (iv) Surplus, if any, to Customs.

4. Arising out of this, the general arrangements in this regard for the future were also discussed. Since, however, some time would elapse before the decision for the future can be communicated to the concerned authorities and implemented by them it was decided that the above arrangements may conveniently apply to all sales upto 30th June, 1965.

5. It was also decided that with effect from 1st July, 1965 the position should be as follows:—

It is generally the practice even now for confiscated goods to be removed to a special warehouse allotted to the Customs Department

for storing confiscated goods, wherever such allotment has been made. Where such allotment has not been made the concerned Port Trust Authorities should take early steps to provide such an arrangement. The Customs authorities should simultaneously take steps to remove confiscated goods to such special confiscated goods warehouses as soon as possible and in any case within a week of the confiscation, especially in the case of goods confiscated absolutely. Steps should also be taken to speed up adjudication proceedings to ensure that as far as possible confiscation, if indicated, is ordered within four months of the landing of the goods.

(a) *The sale proceeds should be allocated according to the position indicated below:—*

- (i) Expenses of sale.
  - (ii) General average and ship owner's lien for freight, if any.
  - (iii) Customs Duty.
  - (iv) Port Trust dues including landing and removal charges and wharfage, river dues and demurrage (at single and not penal rates) limited to a period of four months from the date of landing of goods.
  - (v) I.T.C. fine and penalty, if any.
  - (vi) Balance of Port Trust charges.
  - (vii) Surplus, if any, to vest in the Port Trust or to be paid to the owner as the case may be.
- (b) *Confiscated goods.*
- (i) Expenses of sale.
  - (ii) Customs duty.
  - (iii) Port Commissioner's landing charges (including wharfage, river dues, double removal) at the single rate and not penal rate limited to a period of four months from the date of landing of goods.
  - (iv) Surplus, if any, to Customs.

6. The Ministry of Transport have accepted these decisions and instructions have been issued by them to the Port Trust authorities for implementing the above decisions.

7. This note has been seen and concurred in by the Ministry of Transport

F. No. 18/3/66-Cus. VI

(Sd.) T. C. SETH,  
*Joint Secretary.*

## APPENDIX IX

*Statement Showing the Point Arising out of Audit Report (Civil) on Revenue Receipts, 1967, on which Additional Information is required and action taken thereon.*

### MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE & INSURANCE)

#### Additional Information required by the Committee

10. Page 16—Page 8: Receipts from Customs Revenue.

- “(a) Of the total revenue of Rs. 538.97 crores how much was realised from (i) Government Departments (Central as well as State), (ii) Statutory Corporations, (iii) Government Companies, and (iv) Private Parties.
- (b) The amount of refunds and drawbacks paid during the last five years are as under:—

---

	In crores of Rs.
1961-62	6.48
1962-63	9.56
1963-64	10.89
1964-65	13.78
1965-66	15.77

---

- (i) What is the increase in the year 1965-66 primarily due to?
- (ii) Out of the sum of Rs. 15.77 crores how much was paid as drawback alone?
- (c) What is the value of total exports during the year 1965-66? Out of this, what is the value of exports on which drawback was granted under Section 75 Customs Act, 1962?
- (d) What are the commodities on the export of which a drawback exceeding Rs. 5 lakhs has been paid during the year 1965-66”.

**Reply:**

8(a) The break-up of the total amount of revenue of Rs. 538.97 crores is as follows:—

		(Rs. in crores)
(i)	Government Departments (Central as well as State)	65.14
(ii)	Statutory Corporations	} . . . . . 167.57*
	and	
(iii)	Government Companies	
(iv)	Private parties	322.03
	Gross Revenue	554.74
	Deduct Refunds and Drawbacks	15.77
	Total Net Revenue	538.97

\*Separate figures for Statutory Corporations and Government Companies are not available.

8(b) (i) The increase is only under refunds and there it is due to rates of import duty having gone up. On account of the increase in rates of import duties, the revenue receipts in 1965-66 had increased to Rs. 555/- crores as compared to Rs. 411/- crores during the preceding year. The percentage of refunds to receipts was 1.61% in 1965-66 as compared to 1.52% in the preceding year.

8(b) (ii) Out of the sum of Rs. 15.77 crores, the amount of drawback paid during the year 1965-66 was Rs. 6.81 crores.

8(c) The value of Exports for the year 1965-66 came to Rs. 805.56 crores plus Rs. 3.99 crores Re-Exports, making a total of Rs. 309.55 crores. Out of these, the value of exports under claim for drawback during 1965-66 was Rs. 58.69 crores.

8(d) Commodities on the export of which drawback exceeding Rs. 5 lakhs was paid during the year 1965-66 are:—

Art silk fabrics and yarn. Cinema films, Chemicals and Pharmaceuticals. Paper products. Electric fans. Plastic goods. Mild Steel products, Staple fibre yarn & fabrics. Footwear, Rubber products, Articles made of Stainless

**Steel, Cycles and cycle parts, Gunny bags, Articles made of Brass, Tea Chests, Cast iron products, Polythene-lined jute bags and Motor vehicle parts.**

**The above includes items on which Customs as well as Central Excise duties collected on materials used in the manufacture of the articles are paid as drawback on export.**

*Joint Secretary to the Government of India;*

**F. No. 2/12/67-CUS (TU).**

## APPENDIX X

*Additional information required by P.A.C. on list of points received under Lok Sabha Secretariat O.M. No. 15/1/67-PAC dated the 8th January, 1968.*

*Audit Report (Civil) on Revenue Receipts, 1967, Para 8.*

- (i) The net realization in exports during 1965-66 is Rs. 809.55 crores. It is mentioned that the drawback paid during 1965-66 is Rs. 6.81 crores and that there has been no increase on account of drawback from the figure for the year 1964-65.

- (a) Does this mean that the drawback paid in 1964-65 was Rs. 6.81 crores?

During the year 1964-65 a total sum of Rs. 7.51 crores was paid as drawback. From this it will be seen that in the year 1965-66, there was no increase (in fact there was decrease) in the amount of drawback paid as compared to 1964-65.

- (b) Assuming that the drawback paid in both the years were of the order of Rs. 6.81 crores, what were the factors that contributed to the payment of a higher sum as drawback in 1965-66, when the exports had actually come down by Rs. 25.69 crores in that year?

The assumption is not correct in view of reply to (a) above.

- (ii) It has been mentioned that the value of exports during 1965-66 on which a drawback of Rs. 6.81 crores has been paid was Rs. 58.69 crores. Besides drawback, what other incentives (including cash subsidy) have been provided for the export of these commodities?

It may be pointed out that drawbacks are not incentives, but refund of duties levied on materials used in the manufacture of goods exported. However, during the year 1965-66 incentives were provided in the form of import entitlement, Cash assistance and concessional railway freight as shown in the annexure 'T'. In the case of export products made out of iron and steel there was a provision

for supply of indigenous iron and steel upto the extent of replenishment at special concessional prices (approximately equivalent to international prices). Import entitlements were also granted in part to make available the imported raw materials required in the production of exports but certain additional quantities of imported raw materials were also generally allowed under these schemes for use by the importer for his own production for the home market or for transfer to other manufacturers subject to rules in this behalf.

Certain direct tax concessions were also available against exports performance as shown in annexure 'II'. These rebates were intended to give some edge to sale in export markets instead of the home market and were of minor quantitative significance.

- (iii) Are the Revenue Department of any other Ministry of the Government of India keeping any record which could show the financial effect of all these concessions? If so, what is total concession obtained per unit of export in the case of the commodities on which a drawback of over 5 lakhs has been paid?

The Ministry of Commerce kept under periodical review export performance in all commodities eligible for various forms of assistance, and the concessions were adjusted from time to time in the light of emerging circumstances like fluctuation in international prices, changes in marketing conditions abroad and changes in internal production and demand.

*Joint Secretary to the Government of India.*

F. No. Misc/6/68-DBK.

ANNEXURE I

Exports benefits during 1965-66.

Name of item	Import entitlement as a percentage of FOB value	Cash Assistance	Concessional Railway freight
1	2	3	4
1. Artsilk fabrics.	70%	..	Items 5, 12 and 16: A concessional railway freight of 50% of the normal rate. Item 3 (certain specified chemicals only). Item 4 (Paper ware and Stationery only). Items 9, 10 and 11 (Utensils only). Item 18 (motor cycles, scooters and motor vehicle parts only). Eligible for concession of 25% to 40% of the normal rate, depending upon the distance.
2. Cinema films.	87½% for black and white 75% for coloured.	..	
3. Chemicals and Pharmaceuticals.	40% to 75%	..	
4. Paper products.	Do.	..	
5. Electric fans.	40%	..	
6. Plastic goods	10% to 75%	..	
7. Mild steel products.	40%	..	
8. Steple fibre fabrics.	40%	..	
9. Footwear (Leather)	85%	..	
10. Rubber products.	75%	..	

1	2	3	4
11. Articles made of stainless steel.	1.20 Kg. to 1.70 Kg. for each Kg. of finished goods exported, subject to maximum of 75% of FOB value.		} As on prepage.
12. Bicycles:			
(a) Complete.	Rs. 30/- per cycle 50% to	Rs. 30/- per Bicycle	
(b) Parts.	75%	30% of F.O.B. value	
13. Gunny bags.			
14. Articles made of brass.	75%		
15. Tea Chests.			
16. Cast iron products.	40%	*Rs. 22/- per tonne for Port foundaries Additional Rs. 28/- for inland foundaries	
17. Polythene lined jute bags.	20%		
18. Motor vehicles & parts.	75%		

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\*The concession mentioned in Col. 3 against S. No. 16 was applicable only on exports of cast iron products for which pig iron was not secured at concessional prices.

## **ANNEXURE II**

No special concession exclusively for commodities for which drawbacks are paid, have been provided under the Income-tax Act or any other Direct Taxes enactment. However, the following concessions were available with reference to the exports in general during 1965-66:—

- (i) Rebate of income tax to the extent of 10 per cent of the tax pertaining to profits attributable to exports (except in the case of foreign companies).
- (ii) In the case of a manufacturer of specified commodities (other than a foreign company) rebate of income tax on an amount equal to 2 per cent of the sale proceeds of such commodities exported by the manufacturer himself or sold by him to another person who exports them.
- (iii) Provision had been in Income-tax Act, for grant of tax Credit in respect of certain specified commodities exported after February 28, 1965.

Concessions referred to above were discontinued in respect of exports made after 5th June, 1966.

## APPENDIX XI

*List of exemption Notifications issued under Rule 8 (1) of Central Excise Rules, 1944, during 1965-66 & 1966-67 in which retrospective effect was given and the reasons therefore.*

I 1965-66

Sl. No.	No. & date of exemption notification	Subject	Brief reasons for retrospective effect.
1	2	3	4
1	62/65-CE., dt. 3-4-65	Tyres for tractors	1st March, 1960. Under long-standing instructions tyres for tractors were being assessed to Central Excise Duty at a concessional rate. Such assessment having been contended by audit authorities to be improper particularly after levy of Central Excise duty on motor vehicles with effect from 1-3-60 and since a change in those instructions was not intended to be made it became necessary to give retrospective effect to this notification from the said date.
2	87/65-CE., dt. 5-6-65	Cotton Fabrics	28th February, 1965. Decision to accord rot proofed fabrics the same treatment as water proofed fabrics with effect from 1-3-65 was taken by the Government of India while

1	2	3	4
			finalising a revision application case. Implementation of this decision waving however taken some time it became necessary to give retrospective effect to this notification.
3	107/65-CE., dt. 17-7-65.	Cotton twist and thread	17-4-1964. This notification having been issued by way of rectification of omission that had taken place while making certain changes on 17-4-64 retrospective effect was of technical nature.
4	111/65-CE., dt. 24-7-65	Cotton Fabrics	24-4-1962. These notification regulate the duty liability in respect of certain special types of cotton fabrics which had begun to be manufactured. To the extent retrospective effect was given it may have meant concession to those from whom duty happened to be recovered at a rate higher than what was prescribed but it may also have meant recovery of duty from those who were not being subjected to any duty. On the whole, therefore, retrospective effect was expected to be in the interest of revenue.
5	112/65-CE. dt. 24-7-65	Do.	
6	114/65-CE., dt. 24-7-65	Do.	
7	116/65-CE., dt. 24-7-65.	Cotton yarn	
8	127/65-CE., dt. 28-8-65 (read with No. 38/66 dt. 19-3-66)	Cotton Yarn	1st March, 1964. This notification was issued to provide statutory backing to executive instructions that had been issued.

1	2	3	4
9	78/65-CE., dt. 22-5-65	Cotton Fabrics	28-2-1965. Issue of these notification was of a regulatory nature necessitated by 1965 Budget changes. Retrospective effect from 28-2-65 had therefore, to be given.
10	79/65-C.E., 22-5-65	Do.	
11	115/65-CE., dt. 24-7-65.	Cotton Fabrics	24-4-1962 (Retrospective effect was given for the same reasons as stated against S. No. 4 to 7 above).
12	74/65-CE., dt. 1-5-65.	Grant of exemption from duty in excess of Rs. 500/- per tonne on manufactures of copper and copper alloys produced out of copper or copper alloys in crude form the copper content of which had paid or could be deemed to have paid duty at Rs. 1000/- per tonne, retrospectively from 28-2-1965.	Consequent on the duty on crude copper/copper alloys and their manufactures having been stepped up from Rs. 300 to Rs. 1000/- per tonne and Rs. 500/- to Rs. 1500/- per tonne (cumulative) respectively in the 1965 Budget changes, it was clarified that crude alloy produced out of partially duty-paid copper with or without the old scrap and zinc should be treated as having discharged the duty liability of Rs. 300/- per tonne only and the sheets, circles etc. rolled out of such crude should be charged to duty at Rs. 1200/- per tonne so as to make the manufactures bear a cumulative duty of Rs. 1500/- per tonne.
			On receipt of representations from the trade urging that this was causing hardship to the manufacturers of sheets and circles, particularly the small rolling mills processing zinc in

1	2	3	4
			<p>admixture with old scrap and partially duty-paid virgin copper, the matter was re-examined and ultimately this exemption was given from 28-2-65 i.e., the date from which the enhanced duty became effective so as to provide relief to the small scale manufacturers producing copper alloys sheets/circles out of copper alloys in crude form on the copper content of which appropriate duty at the enhanced rate has been paid so as to tide over their difficulties.</p>
13	158/65-C.E., dt. 2-10-1965	<p>Petroleum Products not otherwise specified Exemption from Addl. duty of excise on petroleum waxes granted retrospectively from 1-5-1965.</p>	<p>Additional duty of excise is levied at the instance of the Ministry of Petroleum &amp; Chemicals. Petroleum Products nos were brought within its scope from 1-5-1965. Subsequently that Ministry clarified that this levy was not applicable to Petroleum waxes and hence the notification was given retrospective effect.</p>
14	64/65-C.E., dt. 17-4-65.	<p>Engine fitted to (i) tractors of B. H. Power 50 &amp; below and (ii) tractors of DBH Power exceeding 50 used for agricultural purposes, were exempted retrospectively from 23-5-64.</p>	<p>Prior to 23-5-64 tractor used for agricultural purposes were exempt from duty. For availing this exemption manufacturer was required to furnish a certificate of agricultural use. Also simultaneously I. C. Engines were exempt from duty if (i) these were fitted</p>

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to tractors and (ii) tractors so fitted were used for agricultural purposes. The intention obviously was, and has always been, to exempt agricultural tractors from Motor vehicles duty and engine duty completely. Subsequently it was found that tractors of DBHP 50 or below were solely used for agricultural purposes. It was therefore not considered necessary to insist on a certificate of agricultural use in respect of such tractors. The exemption for agricultural tractors was therefore modified as follows *vide* Notification No. 113/64-C.E. dated 23-5-64.

(i) tractors of DBHP 50 or below were exempt from duty unconditionally.

(ii) tractors of more than 50 DBHP were continued to be exempt conditionally *i.e.*, if they were used for agricultural purposes.

However, with the modification in the wording of exemption notification for tractor *w.e.f.* 23-5-64 the wording of exemption notification for engines fitted to such tractors also required similar modification simultaneously

1	2	3	4
			<p>The modification was actually carried out on 29-8-64 <i>vide</i> notification No. 142/64-C.E. To avoid the anomalous position between 23-5-64 and 29-8-64 the exemption No. 142/64-C. E., dated 29-8-64 was given retrospective effect <i>w.e.f.</i> 23-5-64. by the said notification.</p>
15.	154/65-C.E., dt. 23-9-65.	Artificial or Synthetic resins.	<p>The tariff description of the item relating to plastics was recast in 1964 to bring artificial and synthetic resins also under its scope. This threw up certain administrative difficulties with regard to the assessment of such resins used in the manufacture of paints etc. and also caused some additional burden on that industry. It was, therefore, decided as part of 1965 budget proposals to exempt paints, enamels etc. from so much of the duty as was equivalent to the duty paid on synthetic resins used in their manufacture. This was done through the notification No. 26/65-C.E., dated 28-2-65. Later on it was noticed that the notification in question permitted set off of the basic excise duty only and not the special duty of excise. In the circumstances, it was decided to implement the original intention of</p>

1	2	3	4
			<p>the Government to grant relief to paints etc., in the manufacture of which artificial and synthetic resins were used, in respect of the special duty of excise also paid on such resins for the period beginning 28-2-65 to 23-9-65 with effect from which date notification No. 26/65 dated 28-2-65 was also rescinded, through issue of notification No. 154/65-C.E., dated 23-9-65.</p>
16	197/65-C.E, dt. 18-12-65	Paints and Varnishes.	<p>Since the inception of Central Excise duty on paints and varnishes in 1955, it was the intention of the Government to grant concessions to small scale manufacturers which was given effect to through exemption notifications. In 1960, when the metric system was introduced, these concessions were renotified under notification No. 137/60.C.E., dt. 1-10-1960. It was noticed later on that the intention of the Government was not correctly brought out in the said notifications, as according to the strict legal interpretation of the said notification, concessions were available only to a manufacturer who produced water paints alone or oil paints alone and not to such a manufacturer who manufactured both water paints as well as oil paints. Since, it was never the intention</p>

1	2	3	4
			of the Government not to allow the concessions in question to a manufacturer who produced both oil paints and water paints, an amendment to the notification in question was issued as notification No. 197/65-C.E., dated 18-12-1965. With a view to mitigate the hardship to the genuine cases, retrospective effect was given to the amendment in question.
17.	170/65-C.E., dt. 23-10-65	Sulphuric acid regenerated from dilute sulphuric acid.	This notification merely regularised executive instructions issued in our letter F. No. 6/28/62-CXVII dt. 9-10-1962.

## II.—1966-67

1.	118/66-CE dt. 16-7-66	Crude copper copper alloys and manufactures thereof Grant of exemption from duty retrospectively.	Central Excise duty on manufactures, i.e. sheets and circles etc. of copper and copper alloys was imposed with effect from 1-3-61 @ Rs. 300/- per metric tonnes. Copper and copper alloys in any crude form were also subjected to duty at Rs. 100/- per tonne with effect from 24-4-62. To avoid double incidence of duty, sheets and circles etc. of copper and copper alloys produced out of duty-paid copper or copper alloys were exempted from duty in excess of Rs. 200/- per tonne. With effect from 1-3-63, duty on copper and copper alloys in crude form was
2.	119/66-CE.. dt. 16-7-66		

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enhanced to Rs. 300/- and that on manufactures thereof to Rs. 500/- per tonne. Immediately after 1-3-63, there was a possibility of stocks of 'crude' having paid duty at the pre-budget (Rs. 100 — per tonne) or the post-budget (Rs. 300/- per tonne) rates being simultaneously available and the manufactures produced out of these two types of crude should as per considerations given above pay duty at Rs. 400/- or Rs. 200/- per tonne according to the rate of crude stage duty paid. Notification No. 52/62-CE., dated 24-1-62 was, therefore, suitably amended *vide* notification No. 29/63-CE., dated 1-3-63. This amendment provided that sheets and circles etc. of copper and copper alloys produced out of duty-paid copper or copper alloys in any crude form (without specifying the rate at which crude stage duty is paid) would enjoy exemption to the extent of duty paid at the crude stage. The intention, however, still was that the manufactures produced out of duty-paid crude will pay duty at the differential rate only i.e. the difference between the rate payable under sub-item (2) and the rate at which duty was paid on the crude under sub-item (1) of

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Item No. 26A of the C.E. Tariff. It had all along been held that the duty liability in the case of crudes of copper alloys was to be limited to the copper content of the alloys in that if the copper content of the alloys had paid duty, the entire weight of the alloy was to be deemed to have discharged the duty liability at the rate at which the crude copper had paid duty. The Audit had, on the other hand contended that the exemption notification (as amended) did not clearly spell this out. To give a statutory backing to the intended and actual recovery of duty on copper alloys sheets and circles etc. during the period 1-3-63 to 25-9-64, therefore, notification No. 118 66-C.E., date 11-7-66 was issued.

Similarly the exemption embodied in Notification No. 53 62-C.E., dated 24-4-62, exempting copper and copper alloys in any crude form produced out of old scrap or scrap arising out of duty paid virgin metal was amplified to clearly cover the case of copper and copper alloys in any crude form produced out of virgin copper in any crude form on which the prescribed amount of duty of excise had already been paid and hence the revised notification No. 119/66-

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			C.E., dated 16-7-66 was given retrospective effect from 24-4-62.
3. 172/66-C.E., dt. 5-11-66	Organic Surface—Active Agents and Preparations—Exemption from duty on Turkey Red Oil—Grant of retrospective effect to.	As a result of 1966 Budget changes, Organic Surface Active Agents and preparations were subjected to Central Excise duty by introduction of a new item (No. 15AA) in the Central Excise Tariff. Later to provide relief to the manufacturers of Turkey Red Oil (covered by this new item), who mostly operate on a cottage-industry scale, exemption from duty was granted on Turkey Red Oil <i>vide</i> Notification No. 101/66-C.E., dated 17-6-66. However, on further consideration particularly the Government's intention not to impose any duty on such a product, the said exemption notification was made effective from a retrospective date, <i>viz.</i> , 1-3-66, the date from which the duty was introduced by issue of amending notification No. 172/66-C.E. dated 5-11-66.	
4. 179/66-C.E., dt. 19-11-66	} Lubricating Oils and Greases manufactured out of base mineral oil having paid the appropriate amount of duty—Exemption from duty granted retrospectively from 21-9-1966.	The Ministry of Petroleum & Chemicals had authorised the Oil Companies to increase the basic selling price of their lubricants and greases from 1-7-66 on account of the increase as a result of devaluation in the cost of imported base mineral oils used	
5. 180/66-C.E., dt. 19-11-66			

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in the manufacture of these products and/or increase in the import cost of finished products. Since the same pricing arrangements also apply to lubricants and greases produced from indigenous crude oil, that Ministry had recommended for enhancement of the rates of additional excise duty in respect of such lubricants and greases, the benefit thus resulting being mopped up by Government. Accordingly, the enhanced effective rates of additional duty were prescribed for lubricating oils and greases produced wholly or partly from indigenous crude oil or its intermediates vide Notification No. 148 66-C.E., dated 21-9-66 giving effect from the date of its issue. Simultaneously, in respect of lubricating oils, greases manufactured out of duty paid base mineral oils, exemption from additional duty of excise was granted to avoid double incidence of duty under Notifications No. 150 66-C.E. dated 21-9-66. Later on representations from major oil companies and small scale units which were obtaining part of their supplies of base mineral oils for the manufacture of lubricating oils and greases from Assam Oil Co. at the increased cost and at the instance of the Ministry of P. & C., the

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effective rates of additional duty were revised for indigenous base mineral oils intended for use in the manufacture of lubricating oils/greases and also for lubricating oils/greases produced wholly from indigenous crude oil or its derivatives with effect from 21-9-66 and advantageous gain accruing to A.O.C. on the sale of indigenous base oils at the increased rates was to be topped up by Government. In consequence thereof the aforesaid exemption notification No. 180/66-C.E., dated 19-11-66 and another exemption notification No. 179/66-C.E., dated 19-11-66 was issued giving it retrospective effect from 21-9-66.

6 202/66-C.E.,  
dt. 19-12-66.

Diesel oil, not otherwise specified—of special specifications produced in the State of Assam—Partial exemption from Central Excise duties (Basic & Additional) granted retrospectively from 1-12-66.

Due to the waxy nature of Nahorkatiya crude being processed by the public sector refinery at Gauhati it becomes difficult for the refinery to produce Furnace Oil conforming to the statutory specification for Furnace Oil under Nos. 10 of the C.E. Tariff or even relaxed specifications prescribed in Notification No. 141/66-C.E., dated 17-9-66 for assessment of any mineral oil produced in the States of Assam and Bihar as 'Furnace Oil'. Its pro-

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duct in fact corresponded to the specifications laid down for Diesel oil, n.o.s.; but as it was not normally useable as such due to the high carbon content and was actually marketed as Furnace Oil, we had been allowing further relaxation in the matter of bituminous substance content (lowering the minimum limit of bituminous substance content from 2% or more to more than 1.75% by weight) for the winter months only generally from December to end of February in respect of the product in question and charging duty at the rates applicable to Furnace Oil. Hence, last winter the relaxation was allowed for the State of Assam, where the Gauhati refinery is located, under notification No. 202 66-C. E., dated 19-12-66 for the period from 1st December, 1966 to 28th February, 1967 (both days inclusive) to qualify the product for assessment to basic — Additional duties of excise at the Furnace Oil rate.

7 164/66-C.E.,  
dt. 15-10-66

8 29/67-C.E.,  
dt. 4-3-67

9 30/67-C.E.,  
dt. 4-3-67

Copper & Copper alloys available in the market treated to have discharged the crude stage duty liability of Rs. 1500/- per metric tonne.

Excise duty on manufactures of copper and copper alloys was imposed on 1-3-61 and on its crude form on 24-4-62. Simultaneously to avoid double incidence of duty, manufactures rol-

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led out of duty-paid crude were required to pay only the differential duty *i.e.*, the difference between the manufacture and crude stage of duty. To qualify for this concession manufacturers of Sheets etc. had to produce proof of payment of duty at the crude stage. As, however, such manufacturers in the small-scale sector depended wholly for the raw material on the stocks available in the open market, they could not actually avail of this concession of set-off. This gave rise to a genuine grievance on their part *vis-a-vis* big manufacturers who got supplies of raw material direct from importers or the only Copper Works at Ghatsila. In order to relieve them of this hardship and in consideration of the fact that copper is a scarce metal and after verification of the fact that there was little likelihood of non-duty paid crude metal being available in the market, initially five months after the imposition of duty on crude metal, copper and copper alloys in crude form available in the market were treated, by issue of executive orders, to have discharged the crude stage duty liability. A similar decision was taken a year after the

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			<p>crude stage duty was stepped up from Rs. 100.00 to Rs. 200.00 per metric tonne with effect from 1-3-1963 and executive orders were issued in this connection. The last enhancement in the crude stage duty was effected on 20-8-55. For the reasons explained above, again it was decided that copper and copper alloys in crude form available in the open market should be deemed to have discharged the crude stage duty liability of Rs. 1500.00 per metric tonne with effect from 20-8-66, i.e. 11 years after the duty was stepped up. To give effect to this decision this time, the amending notifications in question were issued and the concession contained therein made effective from 20-8-66.</p>
10	195/66-C.E., dt. 17-12-66.	The words "sub item (i) of" were omitted from notification No. 142/64- C.E., dt. 29-8-64 retrospectively.	Initially it was thought that only I. C. Engines specially designed as prime movers could be used in tractors and therefore only engines falling under sub-item (i) of item 29 of Central Excise Tariff were exempted from duty when fitted to tractors. However, it came to light subsequently that stationery engines by addition of gear box, clutch etc. should also be adapted for use in a

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11	109/66-C.E., dt. 2-7-66.	Paints and Varnishes	<p>tiller. Since it was never the intention to burden the agricultural tractors with such engine duty the words " sub-item (i) of " were omitted retrospectively.</p> <p>Under notification No. 137/60-C.E., dated 1-10-1960, slab exemptions have been conferred on the manufacturers of paints and varnishes. A conversion formula was also prescribed for working out the concessions in respect of ready mixed paints <i>ibid</i> under notification No. 24/64-C.E., dated 1-3-1964. The trade represented that the conversion formula in question acted harshly in the cases where any lead compound other than red lead or white lead was used as a pigment in the paint. The matter was examined in detail in consultation with the D. G.T.D., and the Chief chemist, etc. It was decided to modify the formula to as it exists at present. Since the concessions were available on financial year basis, it was considered necessary to give retrospective effect to the amendment with effect from 1-4-1966 to enable the computation of concessional quantities for 1966-67 at one rate only. Had it not been done so, it would have created administrative difficulties in arriving at the concessions for which the various</p>

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			manufacturers were eligible.
12	123/66-C.E., dt. 30-7-66.	Paints and Varnishes	In 1960, under notification No. 137/60-C.E., dated 1-10-1960, slab exemptions were granted in respect of nitrocellulose lacquers, clear and pigmented falling under item No. 114-III of the Central Excise Tariff. The said item was revised under the Finance Act (No. 2) 1962. Through executive instructions it was made clear at that time that though nitrocellulose ancillaries in liquid form had been equated with nitrocellulose lacquers they were not eligible for a separate exemption under the said notification. The total quantity including nitrocellulose ancillaries in liquid form was to be taken into account for calculating slab exemptions. By issuing notification No. 123/66-C.E., dated the 30th July, 1966, legal backing has been given to the instructions in question with retrospective effect.
13	1/67-C.E., dt. 7-1-67.	Optical Bleaching Agents.	The executive instructions issued under letter No. B-2/66-CX-I dated the 17th June, 1966 were not reflected clearly in notification No. 100/66-C.E., dated the 17th June, 1966; therefore the need arose to amend the notification in question. In the circumstances, necessary amendment was

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			issued and retrospective effect was given to the amending notification.
14	2/67-C.E., dt. 7.1.67 issued under rule 56A.	Optical Bleaching Agents.	Optical bleaching Agents (item No. 14 DD of the Central Excise Tariff) was brought under excise control with effect from 1.3.66. It was held that mere re-packing of the goods in smaller packs did not amount to manufacture, but where the goods were further processed before re-packing, processed goods were again liable to duty. The levy of duty on processed goods amounts to double taxation. To avoid double taxation, set off of the duty already paid on the unprocessed goods was allowed against the duty chargeable on the finally processed goods which was done through the notification in question. To cover the past cases, in equity the said notification was made effective from 1.3.66 itself.
15	62/66-C.E., dt. 22.4.66.	Paints and Varnishes- Printing Pastes.	This notification exempts, retrospectively from 1.3.1955, printing pastes made from duty paid titanium dioxide or zinc-oxide and used within the factory of production in the printing of cotton textiles. A separate note furnishing reasons for retro-

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spective effect in respect of this notification will be submitted as early as possible since the relevant file is not readily available.

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## APPENDIX XII

### AUDIT REPORT (CIVIL) ON REVENUE RECEIPTS, 1967

*Additional information desired by P.A.C.*

#### Para 25

- (I) A note covering the existing arrangements
  - (a) for internal audit in the Collectorates (both at Headquarters and Local Audit) and
  - (b) regarding the machinery to ensure uniformity of administration of the levy in different Collectorates may be furnished.
- (II) The performance of Internal Audit Organisation during 1966-67 may be stated under the following heads:
  - (1) Number of Collectorates.
  - (2) Number of Chief Accounts Officer/Asstt. Chief Accounts Officer conducting the check of assessment documents at Collectorates.
  - (3) Number of internal (local) Audit parties.
  - (4) Number and amount of objections raised by (2) above.
  - (5) Number and amount of objections raised by (3) above.

#### REPLY

- (I) The desired information is enclosed (Annexure A).
- (II) The desired information is enclosed (Annexure B).

[Approved by Joint Secretary]

## ANNEXURE 'A'

(a) In view of the expanding nature of the Central Excise Tariff, as well as to ensure that there is effective unit of revenue accounts to detect the loop-holes causing leakage of revenue through procedural defects in the matter of assessment, collection or accounting the Department of Revenue have set up two types of audit machineries at different stages, within the Central Excise Organisation. These are:—

- (i) Audit by C.A.O./A.C.A.O. attached to the Collectorate Office.
- (ii) Audit by the A.C. (Audit) of the Central Excise Collectorate.

The scope and functioning of the (i) and (ii) types of audit are discussed below:—

- (i) Audit by C.A.O./A.C.A.O. attached to the Collectorate Office.

The essential function of this audit is to ensure, by comparing the copies of revenue records received from the lower formations with the documents received directly from the Treasury Officers, that the revenue assessed by the lower formations has actually been credited into the Govt. Accounts. Some of the other functions of this audit are: (i) to ensure arithmetical accuracy of assessment on the basis of information available on the assessment documents, and (ii) to watch the recovery of arrears of revenue. It is also the function of this Branch to post-audit all claims relating to refunds of revenue. They also maintain records of revenue realised according to Range, Circle, Division and Collectorate as well as for different treasuries. The differences between the departmental revenue figures and the treasury figures are also reconciled.

In relation to checks of assessment documents, the C.A.O./A.C.A.O. is required to check the accuracy, both in regard to amount and rate of duty, basic as well as additional, of all (or such lower proportion as the Collector may prescribe) assessment orders and communicate to the Circle Officer and the Divisional Officer concerned before the end of the following month all mistakes detected during the course of this audit. The final action taken by the Circle Officer on such objections is required to be communicated to the C.A.O./A.C.A.O. within a fortnight of receipt of such objection with a copy to the Divisional officer so that the latter may satisfy himself that the action taken is correct. The C.A.O./A.C.A.O. maintain prescribed objection books for the purpose of watching the disposals of

objections. The statistics pertaining to the quantum of personnel and regarding the number of Audit objections raised may kindly be seen in Annexure 'B'.

(ii) In view of the existence of a number of instances of defective functioning in our Audit system, the P.A.C. had strongly recommended re-organisation of the Internal Audit system in the Central Excise Department. In order to rectify the defects, a detailed scheme, was worked out, for the establishment of a Directorate of Revenue Audit. The scheme was accepted in principle by the Govt. and funds were also made available in the Finance Bill of 1965, but due to emergency and the need for economy, however, the scheme was not put into effect. Nevertheless, it was decided to strengthen the Audit by merging the Regional Audit Parties with those of Examiner of Accounts so as to set up a self contained Audit cell, under a senior officer of the rank of an Assistant Collector, to function under the direct guidance of the Collector at each Collectorate Headquarters. Accordingly, a scheme for the re-organisation of audit working, taking into consideration the number of revenue yielding units as against the number of office formations, has been introduced w.e.f. 1-1-67 in all the Collectorates. The essential features of the new set-up are:—

- (i) Merger of Regional Parties with Internal Audit Parties;
- (ii) Audit work in each Collectorate has been put under direct control of an Assistant Collector;
- (iii) Each Audit party is headed by a Class II Gazetted Officer;
- (iv) No. of audit parties in each Collectorate has been increased in accordance with the number of formations to be audited.

The duties assigned to the re-organised Internal Audit are not intended to be substituted for similar duties which have been imposed under various departmental instructions on supervisory officers of the executive Wing. The new scheme envisages constitution of a distinct section under the immediate supervision and direct control of the Assistant Collector (Audit). Collectors have been directed that the personal of the audit parties should be specially selected from amongst experienced and qualified officers who have, in addition, a flair for audit work. If necessary, they may undergo training for a period of 2 weeks in the C.A.O's Branch and/or in the zonal Central Excise Training School, as the Collector may decide in each case, to enable them to study and gather working knowledge of the various excisable commodities as well as assimilate the system of assessment and collection of revenue. With the injection of exe-

cutive staff, who have sufficient field experience, into the audit parties, it is hoped that audit work will now get a fillip and become an effective instrument for detection of leakage of revenue. In order to stream-line the functioning of the organised audit in the Collectorates, duties of the A.C. (Audit) have been specified. Amongst other duties, Assistant Collector (Audit) is now required to visit all units giving an annual revenue of Rs. 25 lacs and above. In addition he is required to visit such other factories and warehousing centres which are under suspicion of the department. Again, with a view to ensure proper follow-up of the audit objections raised by the Audit parties during audit of units/formations, staff for manning special 'follow-up' cells has been provided at each Collectorate Hqrs. This cell is required to maintain proper records/registers of all objections raised and to attend to all correspondence uptill the objections are finalised. Collectors have been requested to periodically review the progress of audit work and themselves attend to all important correspondence arising out of audit objections. The statistics regarding the number of Audit Parties in each Collectorate, and the number of objections raised by these Parties may be seen in Annexure 'B'.

*(b) Machinery to ensure uniformity of administration of the levy in different Collectorates.*

As a first step to ensure uniformity of administration of the levy in different Collectorates, all instructions/clarifications issued by the Board/Ministry to the Collectors (which are intended for the use of the departmental officers), are transmitted, immediately on receipt, by the Collector concerned, to the lower formations in the form of Instruction, with copies to all other Collectors of Central Excise as well as to the Board and the Directorate of Inspection. Such of the orders which have a direct bearing on the trading community are issued by the Collectors in the form of Trade Notices, copies of which are similarly endorsed by the issuing Collector to all other Collectors of Central Excise, the Board and the Directorate of Inspection. Again, to ensure uniformity of administration of the levy, irregularities noticed in any formation, during audit, are brought to the notice of other units and quarterly bulletins incorporating the more important points are issued by the Collectors. Copies of such bulletins are sent to all the other Collectors of Central Excise as well as to the Directorate of Inspection. Important objections raised by the Audit are then brought to the notice of the Board. As a result, discrepant practices in the mode of assessments and *modus operandi* of unscrupulous licencees are eliminated and the field staff gets alerted.

In cases, when there are some doubts about the efficacy of certain procedures, references are made by the Assistant Collector (Technical), Assistant Collector (Audit) and also by the Collector to their counter-parts in other Collectorates so that a uniform mode of assessment is evolved on inter-Collectorates basis. In cases of difference of opinion, the question is referred to the Board for a ruling. In this way a close liaison is maintained between different field formations.

Besides, Study Circle meetings are held periodically at Divisional and Collectorate Headquarters offices. Under this scheme, current problems are discussed by group of officers. The minutes of such meetings are circulated to all Divisional officers in the Collectorate.

**ANNEXURE 'B'**

*Statement showing the performance of Internal Audit Organisation during 1966-67 in different Central Excise Collectorate*

S. No.	Name of Collectorate	No. of Chief Accounts Officers/A.C.A.O's. conducting the check of assessment documents at the Collectorate Headquarters C.A.O./A.C.A.O.	No. of Internal (local) audit parties functioning in the Collectorate	No. of objections raised by CAO/ACAO		Objections raised by the Internal Audit Parties		Remarks	
				No.	Amount involved	No.	Amount involved		
1	2	3	4	5	6	7	8	9	10
						Rs.		Rs.	
1.	Delhi	..	1	4	19	5,000	586	..	No. of objections under column 5 and 6 are inclusive of procedural defects pointed by the audit as well as C.A.O./A.C.A.O. As the objections raised by the Internal Audit are still under correspondence. figures of short levies/under assessments actually detected have not been furnished by some Collectors.
2.	Allahabad	1	..	3	28	..	1180	..	
3.	Kanpur	1	..	3	615	..	261	..	
4.	Patna	1	..	3	6	5,000	592	1,78,000	
5.	Calcutta-Orissa	..	1	6	110	8,000	638	1,18,170	
6.	West Bengal	1	..	4	352	..	107	..	
7.	Shillong	1	..	3	..	..	309	..	
8.	Madras	1	1	5	29	7,100	821	..	
9.	Hyderabad	1	1	4	68	5,000	1359	..	
10.	Mysore	1	..	3	630	..	265	..	
11.	Cochin	..	1	1	..	..	19	..	

1	2	3	4	5	6	7	8	9	10
12. Bombay		..	1	6	75	..	238	..	
13. Baroda		..	1	6	201	54,000	53	3,16,000	
14. Poona		1	..	3	5	3,000	2493	..	
15. Nagpur		1	..	3	7	..	11	..	
16. Pondicherry		..	..	..	..	..	..	..	
17. Goa		..	..	..	..	..	..	..	
<b>Total 17 Collectorates.</b>		<b>10</b>	<b>7</b>	<b>57</b>	<b>2,143</b>	<b>87,100</b>	<b>8932</b>	<b>6,12,170</b>	

## APPENDIX XIII

### *Audit Report (Civil) on Revenue Receipts, 1967*

[Additional information desired by P.A.C. vide Lok Sabha Secretariat letter No. 5/1/67-PAC dated 2-9-1967]

Para 28(b)—Under assessment due to wrong fixation of assessable value—

- (i) Was a practice similar to the irregularity mentioned in the para in vogue in other Collectorates and in other factories in the same collectorate and if so till what date and what is the consequential loss of revenue?
- (ii) Does the practice continue in any collectorates even now?
- (iii) Have the Ministry issued any general instructions in this regard?

### COMMENTS.

(i) Yes. The Collectorate-wise position is given below:—

Name of the Collectorate	Date upto which the practice was in vogue	Consequential loss of revenue
		Rs.
1. Bombay	30-6-64	2,48,372.46
2. Baroda	31-12-66	2,19,498.70
3. Madras	24-3-63	264.74 (Realised)
4. Shillong	31-3-67	274.88
		4,68,410.78

The practice was in vogue in Allahabad Collectorate also till October, 1967 but assessments had been made provisionally and the differential duty is now being recovered. Only one small factory is involved in this Collectorate.

In the remaining collectorates either the practice of clearing medicines in strip packings was not in vogue or larger packs containing within themselves smaller labelled saleable units were not assessed on the basis of declared consumer price for the larger pack.

(ii) No.

(iii) Yes. The Board issued instructions on 5th March, 1965 vide F. No. 24/62/64-CX.I dated 5-3-65. The trade, however, did not react favourably to the said instructions. The question of the manner of assessment of large and small (wholesale and retail) packs is, however, already under consideration separately in consultation with the Drugs Controller (I) Ministry of Health and Ministry of Petroleum and Chemicals.

(Approved by Joint Secretary)  
(F. No. 36/25/66-CX-I)

## APPENDIX XIV

*Points on which further information was desired by the Public Accounts Committee at their sittings on 15th, 16th, 20th and 21st, December, 1967 for consideration of Audit Report (Civil) on Revenue Receipts, 1967.*

Para 33(d)

“What are the other special type of fabrics which consume more yarn than ordinary fabrics”?

### NOTE

It has been reported by the Collectors of Central Excise that apart from Turkish towel and spindle tape type of fabrics, and those fabrics which are classifiable as “not otherwise specified” category of fabrics, the following types generally consume more cotton yarn than ordinary cotton fabrics:—

- (i) Niwar-tape/candle wick,
- (ii) Bobby-weave fabrics,
- (iii) Flannel,
- (iv) Cotton blankets,
- (v) Canvas type fabrics, and
- (vi) Curtain cloth.

## APPENDIX XV

### Summary of main conclusions/recommendations

Sl No.	Para No. of Report.	Ministry Department concerned	Conclusions/Recommendations
1	2	3	4
1.	1-16	Finance Deptt. of Revenue	The Committee are not happy over the leisurely manner in which the Customs Department took several years to dispose of the confiscated pencils in this case. Out of 15,518 gross pencils seized, the bulk of them (15,380 gross pencils) were confiscated during the period from 1953 to 1956. Except for a small quantity of 3060 gross supplied to Railways, Stationery Office and the other Government Departments, the remaining pencils were disposed of through auction by the Calcutta Custom House during the period from the middle of 1965 to June, 1966, that is, 8 to 12 years after their confiscation.
2.	1-17	-Do.-	The Committee find that initially attempts were made to auction 480 gross pencils in small lots at Imphal and Silchar from 1955 to 1959 but there was no offer. (Information in respect of Gauhati and Jorhat is not available as the relevant files were destroyed some time back). They feel that in order to attract bidders, the pencils should have been offered in sizeable lots and, if initial attempts to auction at the above places had failed, the Department should itself have thought of auctioning the pencils at a bigger place

- like Calcutta as was ultimately done in 1965 and 1966. During evidence, the Secretary, Revenue and Expenditure, admitted that "there cannot be any valid explanation except that this was not thought of and it should have been thought of."
3. 1-18 -Do.- The Committee are also not able to appreciate why the Customs Department took nearly four years to implement the Audit suggestion in July 1961, that the pencils might be utilised for Government's own requirements.
4. 1-19 -Do.- The cumulative effect of all this delay was that 1,050 gross pencils, valued at Rs. 12,000, were damaged and Government underwent this avoidable loss. The Committee hope that the Board of Excise and Customs will take suitable measures to ensure that such cases do not recur.
5. 1-34 -Do.- The Committee are concerned to note that goods valued at Rs. 5.17 crores confiscated upto 31st March, 1966 were lying undisposed of as on 1st April, 1967. The disposal of goods in the past has been slow resulting in deterioration and pilferage. The Committee note that, as a result of a special drive undertaken by the Customs Department, they were able to dispose of confiscated goods worth Rs. 1,19,65,796 during the period from 1st December, 1966 to 31st July, 1967. They hope that efforts will continue to be made to maintain the tempo of the disposal of goods. The Committee would like to watch the progress made with the disposal of confiscated goods thrown future Audit Reports.

1	-	3	4
6.	1-35	Finance <hr/> Deptt. of Revenue	<p>The Committee also find that proposals regarding the disposal of consumer goods to the National Co-operative Consumer Federation Ltd. and of trade goods through the Director General, Supplies and Disposals, are under consideration. The Study Team on the Customs Department have also made certain recommendations in this matter. The Committee feel that it would be helpful to Government in arriving at a decision in regard to the various alternative procedures for the disposal of confiscated goods if a small committee consisting of persons having knowledge of excise and customs and two or three businessmen is appointed to examine these problems and to advise Government on evolving suitable procedures. The Committee would like to know the action taken in this connection.</p>
7.	1-44	-Do.-	<p>The Committee consider that, as the State Trading Corporation have gathered some experience in handling auction of imported cars, the Board of Excise and Customs may canalise the disposal of confiscated cars through the Corporation so as to get the maximum return. The disposal of the remaining 115 vehicles which were awaiting disposal on 31st December, 1967 should also be expedited.</p>
8.	1-45	-Do.-	<p>The Committee regret that proper arrangements for keeping these cars were not made till September, 1967, i.e., a few days before the Study Group of the Public Accounts Committee were due to pay a visit to the Bombay Customs House. The Committee stress that appropriate arrangements should be made to protect valuable goods</p>

from deterioration due to the inclemencies of the weather. Proper arrangements should be made for the maintenance of cars so as to ensure that the maximum price is obtained on disposal.

9 1.47 Do.

The Committee would like the Board of Excise and Customs to examine the feasibility of taking proper stock of confiscated goods at regular intervals of six months or a year. In taking stock, particular attention should be paid to deterioration, if any, suffered by goods in storage so that suitable measures can be taken without delay to arrest the deterioration and expedite disposal of the goods.

10 1.53 Do.

The Committee are constrained to note that during the period of confiscation there was loss due to deterioration in the quality of diesel oil and leakage from as many as 537 out of 1,080 drums. The Customs Department had to pay a bond rent of Rs. 1 lakh against the sale proceeds of Rs. 16,385. The Committee are unable to appreciate why it should have taken the Department three years to arrange for the final disposal of diesel oil after the decision for confiscation was upheld by the High Court in August, 1954. The Committee consider that if more business-like methods had been adopted by the Customs authorities it should have been possible to dispose of the diesel oil soon after it became ready for disposal in August, 1954, and thereby save payment of heavy bond rent to the Port Trust. The Committee stress that suitable measures should be taken to ensure that such cases do not recur.

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11 1.55 Do.

The Committee regret to observe that there was a delay of three years in the disposal of the goods due to negligence of the

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Customs House in recording the file by mistake after disposal of the revision petition. This delay resulted in deterioration of the goods and also payment of increased bond rent.

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1-59

Finance  
Deptt. of Revenue

The Committee find that in three of the four cases mentioned above, the bond rent of the Madras Port Trust premises, which exceeded the sale proceeds of the goods, was avoidable. During the years 1960-61 and 1965-66 sizeable bond rent charges were paid by the Madras Custom House.

The Committee suggest that, in the light of experience gained in the working of the Agreement between the Port Trust and the Madras Customs House, a suitable procedure should be evolved expeditiously to dispose of confiscated goods to obviate payment of heavy bond rent.

13

1-70

Finance  
Transport and  
Shipping

The Committee are glad to note that the dispute regarding the sharing of sale proceeds of abandoned and confiscated goods which had been outstanding since 1950 has been settled.

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1-71

Do.

The Committee note that it has also been agreed (i) that Customs authorities should take steps to remove confiscated goods to special warehouses as soon as possible and in any case within a week of confiscation, especially in the case of goods confiscated absolutely, and (ii) that steps should be taken to speed up adjudication proceed-

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			ings to ensure that, as far as possible, confiscation, if indicated, is ordered within four months of the landing of the goods.
15	1-72	Do.	The Committee consider that as space in Port areas is limited, Government should keep the matter under constant review and evolve a business-like method for disposal of imported goods which are left either unclaimed by the parties or are confiscated by the Customs.
16	1-74	Finance	The Committee hope that these outstanding bills of the Port Trust for Bond rent will be settled early.
		Deptt. of Revenue	
17	1-78	Deptt. of Revenue	The Committee regret to observe that this is a bad case and indicates negligence on the part of both the Port Trust authorities and the Customs Department. None of the 62 drums of brass scrap (valuing about Rs. 18,000) landed in April, 1954 contained any scrap at the time of the disposal of goods in September, 1956. After the loss of the contents of three drums initially came to the notice of the Customs and Port Trust in June, 1954, special steps should have been taken to guard against further pilferage of brass scrap. What is worse, even after 26 drums were found empty in September, 1954, the authorities do not appear to have taken any remedial action; it is, therefore, no surprise that nothing was left in the drums by the time of disposal in September, 1956. The Committee understand that the case was taken up by Audit with the Customs House in 1958, but no action was taken on the points raised by them till 1963. The question of fixing responsibility of the staff for the loss should have been examined at least on the receipt of the Audit objection.
		Transport and Shipping	

1	2	3	4
18	1-79	Revenue <hr/> Transport & Shipping	The Committee desire that, on the basis of the records still available, the Customs Department and Port Trust should examine the question of fixing responsibility for negligence and/or complicity of the staff and take necessary disciplinary action against the parties found at fault.
19	1-85	Do.	The Committee find from the statement furnished by the Department of Revenue that the losses at various ports since 1955-56 came to Rs. 1,83,843. The Committee note with concern that in spite of Watch and Ward arrangements at the Ports by the different authorities, i.e., the Port Trust, the Customs Department and the State Government, pilferages should occur. The Committee feel that with closer coordination between the authorities concerned in the interest of tightening the security measures, it should be possible to eliminate the pilferage of confiscated goods while in the custody of the Port Trusts.
20	1-104	Finance <hr/> Deptt. of Revenue	The Committee are unhappy to note that there have been thefts of confiscated goods from the Customs House. The Committee would like the Customs House to review their security arrangements in consultation with the Central Bureau of Investigation and the State Police authorities so as to ensure that such thefts do not recur.
21	1-105	Do.	The Committee are perturbed to note that vital parts of valuable goods like refrigerators and transistors are pilfered, thus



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a statutory provision has been made from a particular date, the Executive inspections have no legal basis, whatever other considerations might have weighed with the Ministry for resorting to such a course of action. The executive decisions taken on different dates in several cases to levy the countervailing duty and that too only when they were brought to the notice of the Government of India by Audit had resulted in the provisions of the law not being uniformly applied in all the cases wherever the levy was attracted. The non levy of countervailing duty till such time as the decisions were taken can only be treated as the foregoing of revenue.

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2-17

Finance

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Deptt. of Revenue

In so far as the case of Iron and Steel products is concerned, if it was the intention to restrict the levy only to articles falling under item 63 Indian Custom Tariff and its sub-items even beyond 2nd February, 1963, an exemption notification could have been issued simultaneously with the other notifications on that date as the Ministry were fully aware of the difficulties arising out of the levy while issuing executive instructions in 1962. Even though these instructions governed the levy of a countervailing duty on 2nd February, 1963, no such exemption notification has been issued and, according to the Ministry's own admission, the position regarding Iron and Steel products escaped notice. The lapse is regrettable.

26

2-20

Do.

The Committee regret that due to an error, an excess refund of Rs. 10,000 was paid in this case. What is worse, the error was not

detected by the Internal Audit Department who pre-audited the refund. The Committee note that the amount of Rs. 10,000 has since been recovered. The Committee stress that such mistake should not recur.

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| 27 | 2-25 | Do. | The Committee note that, out of excess payments of overtime fees amounting Rs. 40,381, a sum of Rs. 25,472 has been recovered and the balance is being recovered in instalments.   |
| 28 | 2-26 | Do. | The Committee fail to understand how the Board's orders dated the 26th August, 1963, were not received by the Collector of Customs, Bombay. They desire that, an enquiry may be made into the reasons for non-receipt of these orders by the Collector and remedial measures taken to ensure that important orders issued by the Board are promptly transmitted and received by the Collectorate.  |
| 29 | 2-37 | Do. | The Committee take a serious view of the mis-appropriation of Government money arising from the defalcation by a Customs House clerk in this case. They would like to know in due course the total amount misappropriated by the clerk and the action taken as a result of the enquiry into the matter. The Committee also desire that necessary action should be taken against officers at the supervisory level for their contributory negligence which made the defalcation possible. |
| 30 | 2-38 | Do. | The Committee note the remedial measures taken by the Department to prevent a recurrence of such defalcations. It has  |
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been suggested by Audit that the following additional measures may also be adopted:—

- (a) The opening of all registers to record transactions for collection of cash should be specifically authorised by the Chief Accounts Officer of the Customs House and be maintained in the forms approved by him. The cash registers so authorised to be maintained should be put up to the Chief Accounts Officer every week whether any transactions have been recorded therein or not. This will enable him in keeping track of the registers in use in the various departments of the Customs House and whether the transactions if any, recorded therein are duly credited into the treasury and incorporated in the accounts compiled with him.
- (b) The withdrawal from operation or closure of any of the registers in use should also be done with the approval of the Chief Accounts Officer.

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The Committee will like Government to examine the above suggestions of Audit for early implementation in order to eliminate the shortcomings noticed in the existing procedure which made the defalcation possible in the present case.

31

2.44

Do.

The Committee regret to note that in this case, due to lack of co-ordination with the State Government, a loss of about Rs. 53,000 in revenue was suffered on the sale of 29,694 lbs. of seized skimmed milk powder at the control price even after the cancellation of the Control Order. The Committee desire that the Board should examine whether there is any defect in the procedure regarding the receipt of copies of such orders from the State Government and their circulation to the various officers concerned to avoid the recurrence of such cases.

32

3.15

Do.

The Committee find that the Excise Duty foregone as a result of the issue of exemption notifications amounted to Rs. 54.04 crores in 1963-64, Rs. 63.73 crores in 1964-65 and Rs. 62.28 crores in 1965-66. With an expanding Excise Tariff, the amount thus foregone is bound to increase. It is significant that although a sizeable amount of duty leviable under the Excise Law is being foregone year after year, the present system does not provide for obtaining approval of Parliament in the matter, as there is no provision in the Central Excises Act and the Rules made thereunder to lay the exemption notifications before Parliament. In para 3.142 of their 44th Report (Third Lok Sabha) the Committee had desired that the procedure should be rectified by making it obligatory to lay a copy of each notification before Parliament. The Committee regret to note that the position has not yet been rectified by Government. The Committee hope that, as assured by the Secretary, Revenue and expenditure, during evidence, pending the finalisation of a new Central Excise Bill, suitable amendments will be made in the Central Excise Rules requir-

ing such exemption notifications to be laid before Parliament. It would also be desirable that the exemption notifications should be accompanied by explanatory memoranda giving the reasons for varying the standard rates of duty.

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3·16

Finance

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 Deptt. of Revenue

The Committee have been critical in their earlier Reports [cf. para 3.141 of 44th Report (Third Lok Sabha)] to the granting of exemption from duty through executive instructions instead of the issue of formal notifications under Rule 8. The Committee are concerned to note that, out of under-assessments of Rs. 571 lakhs pointed out in Audit Report, 1967, most of the amount of Rs. 327 lakhs that has been admitted by the Department related to irregular and unauthorised refunds, rebates and set-offs because certain reliefs were given under executive instructions which did not have proper legal backing in the matter of exemption. According to the Ministry, in some cases, exemptions were given under such executive instructions pending further examination of the matter, after which exemption notifications were issued retrospectively.

34

3·17

Do.

In para 3.141 of their 44th Report, the Committee had desired that if, for administrative flexibility, Government desired some latitude in such matters, they should obtain authority to do so from Parliament by introducing an amendment to the Excise Law. The

Committee hope that the position will be suitably rectified in the new Excise Bill.

35            3·18            Do.

As regards the issue of exemption notifications retrospectively, the Committee have discussed the legal position in para 3.37 of their 44th Report (Third Lok Sabha) that is: "A legislature could give retrospective effect to a piece of legislation passed by it, but the Government exercising subordinate and delegated powers cannot make an order with retrospective effect unless that power was expressly conferred by the Statute." The Committee had desired that the question of the extent of authority required and of amending the Law for the purpose should be thoroughly examined in consultation with the Ministry of Law. In para 2.3 of their 7th Report (Fourth Lok Sabha), the Committee desired that a Bill containing enabling powers for the Central Government to give retrospective effect to excise duty exemption under the Excise Law should be brought before Parliament, as early as possible.

36            3·19            Do.

The Committee suggest that, pending the preparation of a new Excise Bill, the whole question of granting exemptions of duty through three different means viz., notification, executive instructions and retrospective notifications may be examined in consultation with the Attorney General of India.

37            3·27            Do.

The Public Accounts Committee have repeatedly drawn attention to the inadequacy of the Internal Audit Organisation in the Central Excise Department as revealed by the Report of the Central Excise Re-organisation Committee presented in 1963 (cf. para. 45 of 27th

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Report and para 3.9 of 44th Report—Third Lok Sabha). They have been informed that a scheme for strengthening the Internal Audit Organisation by constituting a separate cadre of the Audit and Accounts Staff under the guidance and control of an independent Directorate which was estimated to cost about Rs. 30 lakhs per year was deferred due to reasons of economy in December, 1965, and the position continues to be the same. There is also a suggestion regarding the setting up of a separate Directorate of Internal Audit which would be common to all Revenue Departments.

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3-28

Finance  
 Deptt. of Revenue

The Committee note that meanwhile certain organisational chances have been made by the Department to improve the functioning of the Internal Audit parties. The number of the Internal Audit parties has also been increased from 31 to 57. The Committee are, however, not satisfied with the performance of the Internal Audit Organisation. During 1966-67, the Chief Accounts Officer/ Assistant Chief Accounts Officers raised 2,143 objections involving Rs. 87,100 and Internal Audit Parties raised 8,932 objections involving Rs. 6,12,170. On the other hand test audit by the Revenue Audit Department disclosed an under-assessment of Rs. 571 lakhs in Audit Report, 1967. In the Committee's view in order to make the Internal Audit parties more effective, it is desirable to put them under an independent Directorate. Government should take an early decision on the question of setting up an independent Directorate of

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Internal Audit which would be common to all Revenue Departments or alternatively a separate Directorate for Central Excise.

39

3-30

Do.

In para 3.7 of their Forty-sixth Report the Public Accounts Committee pointed out that different Officers sometimes give different interpretations of the law with the result that citizens may be taxed differently under the same statute. The effect will appear as discrimination between assesseees by the executive. The Committee emphasize the basic need of ensuring that under the same statute and at the same time, people are not charged different rates of tax due to different administrative interpretations or other failures. The Committee note the steps taken by the Central Board of Excise and Customs to ensure uniformity of administration in the levy of duty in different collectorates. The Committee hope that the Central Board of Excise and Customs will keep this matter under constant review so as to ensure uniformity in the levy of excise duties.

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3:33

Do.

The Committee note that the erroneous assessment of wastes arising from twist or thread manufactures at the concessional rates applicable to yarn instead of at the higher standard rates applicable to 'thread or twist' resulted in under assessment of duty amounting to Rs. 32,570, out of which a demand amounting to Rs. 16,967 had to be withdrawn as a result of being time-barred.

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1	2	3	4
41	3-34	Finance <hr/> Deptt. of Revenue	Government should fix responsibility for this loss and take remedial measures to obviate the recurrence of such instances of erroneous assessment and detect errors in time, for realisation of arrears.
42	3-49	Do.	The Committee find it difficult to accept the view that the allowance allowed in this case was merely "Quantity Discount" and "unconditional" for according to the agreements entered into by the manufacturer with wholesale distributors, they were allowed the discount subject to the condition that they should not sell foot-wear manufactured by other parties and that they should not go beyond the region earmarked for them. Further, although the number of wholesale distributors is stated to be 120, there are individual agreements between the manufacturer and the distributors. According to the rules and orders issued under the Central Excise Act the discount allowed under a particular contract or which can be earned only in consideration of fulfilment of certain conditions is not admissible for deduction from the declared wholesale price. The Committee feel that these two conditions laid down for admissibility of discount are not fulfilled. They, therefore, desire that this matter should be further examined in consultation with the Ministry of Law.
43	3-50	Do.	The Committee were given to understand that in this case, the Board, in determining the wholesale price, were guided by certain executive rulings issued under Section 30 of the Sea Customs Act on

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the analogy that the wording of Section 30 of the Sea Customs Act is more or less similar to that of Section 4 of the Central Excise Act. The Board did not consider it necessary to issue a notification for application of the provisions of the Sea Customs Act in this case.

4            3.51            Do.

The Committee also note that several provisions of the Sea Customs Act have been made applicable to the Central Excise side by notifications issued under Section 12 of the Central Excise Act. The Committee desire that the whole question of applicability of executive rulings under the Sea Customs Act without issuing a notification under the Excise Act as also the applicability of the provisions of the Sea Customs Act by issuing a notification under the Central Excise Act should be examined in consultation with the Attorney General in the light of a recent judgement of the Supreme Court in the matter.

45            3.63            Do.

The Committee are concerned to note that even after the issue of the Board's orders on 5th March, 1965, the wrong practice of clearing large packs containing within themselves smaller saleable units in the form of strips at prices declared for the bigger packs was continued in the Baroda Collectorate upto 31st December, 1966, and this resulted in the loss of revenue of Rs. 2,19,498.70. The Committee desire that, taking into consideration the details of this case, the Board should look into the reasons for the continuance of this practice in that Collectorate with a view to ensure that their instructions issued on 5th March, 1965, are strictly implemented by the Collectorate of Central Excise, Baroda. The Committee would like to know the action taken in the matter.

1	2	3	4
46	3-64	Finance Deptt. of Revenue	The Committee find from the note furnished by the Ministry of Finance that the question of the manner of assessment of large and small (wholesale and retail) packs is under consideration of the Department of Revenue in consultation with the Drug Controller of India, Ministry of Health and Ministry of Petroleum and Chemicals. The Committee would like to be apprised of the decision taken in this case.
47	3-70	Do	The Committee regret to note that in this case movement of cloth in bond was allowed from one factory to another in contravention of Rule 96 of the Central Excise Rules. Although the bulk of the cloth was not to undergo the process of bleaching at all, it was allowed to be cleared in bond to the second factory. This resulted not only in the postponement of payment of duty but also the loss of duty (about Rs. 6.43 lakhs) because of occurrence of rags, chindies and fents in the process of machine embroidery in the second factory. Even though the Board issued orders in July, 1962, to stop this practice and Audit also brought this to notice in November, 1962, the irregularity continued till February, 1964. The Committee would like to know the action taken against the officers responsible for the delay in stopping this irregular practice and the consequent loss of revenue.
48	3-76	Do	The Committee take a serious view of the Collector allowing a refund of duty amounting to Rs. 8,81,763 in this case in contravention of the Central Excise Rules without making a reference to

the Board. The Committee desire that the Board should examine this matter in all its aspects and take appropriate measures to ensure that such instances do not recur.

- 49      3-81      Do      In view of the fact that a large amount of revenue (Rs. 52,48,970) is involved in this case, the Committee desire that opinion of the Attorney General should be obtained as to whether the order of the Board issued in March, 1964 that duty should be realised on the weight of unsized yarn rather than on the weight of yarn after sizing was correct.
- 50      3-88      Do      The Committee are not satisfied with the present practice of levying compounded rates of duty on high yarn consuming fabrics like turkish towels and spindle tape, which are applicable to ordinary fabrics of corresponding variety. The loss of revenue to Government during one year (1962-63) on account of the levy of duty at the compounded rate in respect of the aforesaid varieties amounted to Rs. 2,31,001 in seven Collectorates.
- 51      3-89      Do      The Committee suggest that all such varieties should be taken up for working out the average consumption of yarn and added to the list of varieties of cloth.
- 52      3-92      Do      The Committee reiterate the recommendation made in para 3.274 of their 44th Report (Third Lok Sabha) that in glaring cases of fraud and large scale evasion, the prosecution of delinquents is to be preferred to imposing penalties, as the former course would be a more effective deterrent.

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Finance  
Deptt. of Revenue

The Committee have not made recommendations/observations in respect of some of the paragraphs of the Audit Report (Civil) on Revenue Receipts, 1967. They expect that the Department will none-the-less take note of the discussions in the Committee and take such action as is found necessary.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lal-patrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	Jayana Book Depot, Chap-parwala Kuan, Karol Bagh, New Delhi.	66		MANIPUR	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	65	34.	Shri N. Chaopa Singh, News Agent, Ram Lal Paul High School Annex, Imphal	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	70		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Gani, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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