

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6263
ANSWERED ON:06.05.2005
EXCISE DUTY OUTSTANDING AGAINST ITC
Tripathy Shri Braja Kishore

Will the Minister of FINANCE be pleased to state:

Shri Ram Kripal Yadav : Shri Sugrib Singh : Shri Pralhad Joshi : Shri Adhalrao Patil Shivajirao : Shri Adhir Chowdhury : Shri K. S. Rao
: Shri Madhu Goud Yaskhi:

- (a) Whether it is a fact that between March 1, 1983 to February 28, 1987, the ITC Limited have 803 crores rupees outstanding as excise duty;
- (b) if so, the steps taken by the Government to recover the same from ITC;
- (c) the details of various taxes / duties outstanding against the ITC Ltd., till date and
- (d) the steps taken by the Government to recover the same ?

Answer

FINANCE MINISTER (SHRI P. CHIDAMBARAM)

(a) and (b) : It is a fact that a Show Cause Notice was issued to M/s ITC Ltd. and its outside contract manufacturers demanding Central Excise duty of Rs.803 crores for the period March` 1983 to February 28, 1987. This matter was adjudicated by the Commissioner of Central Excise New Delhi, vide order dated 29.12.1995 confirming an amount of Rs.683.5 crores on M/s ITC Ltd. Penalty of Rs.6.5 crores against M/s ITC Ltd. and Rs.3.5 crores against its directors was also imposed. Aggrieved by the said order, M/s ITC Ltd. and all other parties to the proceedings filed appeals before the Tribunal. The Tribunal directed for payment of RS.350 crores as pre-deposit in terms of section 35F of the Central Excise Act which M/s ITC Ltd. had complied. By order dated 04.09.1998 the Tribunal set aside the demand against M/s ITC Ltd. and directed for requantification of the demand in terms of the observation contained in their order. The Commissioner Central Excise, New Delhi and M/s ITC Ltd. filed appeals before the Supreme Court challenging the said order on all counts. The Hon`ble Supreme Court vide its order dated 10.09.2004 allowed the appeal filed by M/s ITC Ltd. and set aside the demands. A review petition was filed by the Government which was also dismissed by the Supreme Court on 2nd March, 2005. The Central Excise laws (Amendment and Validation) Ordinance 2005 came into force on 25th January, 2005, to cure the infirmities pointed out by the Supreme Court in the relevant notifications and to validate the actions taken thereunder. During the currency of the Ordinance M/s ITC Ltd. expressed their willingness to forgo their claim for refund of the deposit of RS.350 crores and requested the Government to waive the demand for the balance under the Ordinance or otherwise. After carefully considering the mater and having regard to suggestions that the tax dispute should be settled on a reasonable basis the Government accepted M/s ITC Ltd.`s offer. The adjudicating authority by an order dated 5th April, 2005 accepted the settlement and adjudged the payment of Rs.350 crores as Central Excise duty. The Ordinance has lapsed on 8th April, 2005.

(c) and (d) : The reply to these two parts requires updated information from the records of various field formations and will require adequate time. The same is being collected and will be submitted at the earliest.