

## EXCISE DUTY

This tax is levied on certain goods for their production or sale catering or on licenses on specific services and activities: ED is an inland tax unlike custom duties is an inland tax. Also this duty charges are a form of indirect tax.

The excise duty falls under the Excise Duty Act 1944. The state govt. charges them on certain goods such as narcotics, alcohol or alcoholic products, the duty charges on other goods are collected by the Central Government, hence the term, "central excise duty".

The tax is however, collected by the government when the goods are being removed from the factory and despatch.

### **Purpose**

There is a necessity of taxes in any country but it is important to know what the Government does with that money. Taxes are levied to ensure to smooth <sup>running</sup> ~~norming~~ of the public service in India. Excise duty is a part of it.

It makes sure that the manufacturing sector is involving themselves in the taxation to cover all aspects. Taxes can also be a tool to control the sale of a good, especially narcotic substances and alcohol. The increase in tax amount of such products may have eventually lead to reduction of purchase due to its affordability.

Taxes in general, help Governments in infrastructure projects such as buildings roads, railway networks that are used by the public it also helps to ensure that the defence force, i.e. navy, airforce and army are being funded, so that tax payer or not, a citizen of India feels safe and secure at home, repair and maintenance, health care, cleanliness treatment are such activities are done by from these taxes.

\* How do you Evaluate Excisable goods?

It is done on the basis of any one of the two provisions enshrined in the central excise law in India. These provisions are valuation under

section 4 of the central Excise Act, 1944 and the Control Excise Tariff Act 1985. The earlier act is based on normal price where maximum retail price is not to the central Government or where Tariff values have not been, fixed for the articles.

Under Section 3(2) of the CETA 1985 the valuation is simply based on under section 4A of CEA 1944. Sec 4A of CEA 1944 applies on the excisable goods that are notified by the Central Government.

CENVAT as popularly known as Excise duty is a duty on the manufacture/ production of goods in India. The regulatory body is the Central Board of Excise and Customs (CBEC), an agency of the Department of Revenue, Ministry of finance of India. The law governing central excise is primarily defined by the halling legislators :

**The CEA 1944 :** This act governs the levy of excise duty. The legislation provides for the parameter for levy of duty like when it is to be charged, how the goods are to be valued for the purpose of duty, how the duty would be regulated and administered such provisions for discharge of excie liability, filling returns, powers of excise officers in this regard and also includes the powers of investigation, appellated remedies advance rulings and other matters.

**The CETA, 1985 :** This act suppliments the central excise act by classifying products and prescribing the rate of excise duty applicable to the various classification of manufactured products. CETA classifies goods under 91 chapters and a specific code is assigned to each item. There are 2000 sub-headings. It is based on the Harmonised system of Nomenclature (HSN)

### **TAXABLE EVENT WHICH CREATES LIABILITY FOR EXCISE DUTY**

The taxable event for levy of excise duty is the act of manufacture or production of goods in India.

There are four basic conditions for levy of excise duty :



1. The duty is on 'goods' i.e. products that are movable and marketable.
2. The goods in question must be excisable i.e. must be mentioned in Excise Tariff Act.
3. The goods must be "manufactured or produced."
4. Such manufacture or production must be in India.

For administrative convenience excise duty on goods is collected the time of their removal from the factory.

### **Duty structure**

Broadly, the following types of duties are levied by the Central Government on goods manufactured in India.

1. Basic Excise duty
2. Education cess Secondary & Higher education cess
3. National calamity contingent duty
4. Duties under other Acts
5. Specified duty
6. Duty based on production capacity.

### **Exemptions**

As under the customs regime, excise law also provides for exemptions both general, as well as some specific exemptions which apply to only specified classes of goods or manufactures. Some broad categories of general exemptions include.

- **Exemption for the SSS**—a threshold exemptions from ED is given to uniots with a turnover of less than ₹ 1.5 crore (INR 15 million).
- Exemption to intermediate product used for captive consumption intermediate products manufactured within the factory are exempt from excise duty, subject to the condition defined under the respective notifications.
- **Job Work** : Exemption is given to a job worker who manufactures exisable goods from inputs supplied by a principal who



undertakes to discharge the excise duty liability on the final product, subject to the stipulated conditions.

- **Location based exemptions** : Exemption from excise duty is granted to units operating on specified backward regions of India, for example, many excise exemptions have been granted to the manufacturing limit set up in the North Eastern state of India.

#### **Change**

Central excise duty to be rounded off to 12.5% (from 12.36%)

Online Excise and service tax registration in 2 days.

#### **Digital invoices to be accepted**

A provision for issuing digitally suggest invoice is being added along with the option of maintaining of records in electronic form and then authentication by means of digital signatories.

- Penalty is to lac imposed in against with evason of duty or non payment of duty but without suppression @10% or 5000 whichever is higher.
- No penalty shall be payable it duty and content payable thereon under Sec. 11AA is paid before issue of show course notice or before 30 day of it show cause notice.

#### **Valuation of Excisable goods**

ED is payable on one of the following basis :

1. Specific Duty  
Weight, length, values, thickness
2. Tariff value : fixed by Government
3. Value based on retail sale price
4. Ad Valorem Duty - Value

If retail price - 100 but tariff value (notified) 45% = 45

Excise duty - Payable at the Rate of 10.3% =  $(45 \times 10.3\%) = 4.64$