

**Report of the
Comptroller and Auditor General
of India**

for the year ended March 2014

**Central Excise Administration
in Automotive Sector**

**Union Government
Department of Revenue
Indirect Taxes - Central Excise
Report No. 33 of 2014**

Laid on the table of Lok Sabha/Rajya Sabha _____

Table of Contents

Contents		Page
Preface		(i)
Executive summary		(iii)
Chapter 1 : Introduction		1-3
1.1	Automotive Industry in India	1
1.2	Auto component Industry in India	1
1.3	Why we chose this topic	2
1.4	Tariff Structure	2
1.5	Audit objectives	2
1.6	Scope and Coverage	3
1.7	Acknowledgement	3
Chapter 2 : Adequacy of existing systems and procedures		4-19
2.1	Trends in revenue collection	4
2.2	Scrutiny of returns and assessments	4
2.3	Internal Audit	12
2.4	Anti-evasion measures	15
2.5	Collective sharing of intelligence reports	16
2.6	Outstanding demands	16
2.7	Absence of provision in the rules	17
2.8	Splitting up of rebate claims to avoid pre-audit	19
Chapter 3 : Valuation of excisable goods		20-27
3.1	Central Excise liability in respect of clearance of goods to inter-connected undertakings	20
3.2	Non-payment of duty on price settlement	25
3.3	Non-inclusion of additional consideration	25
3.4	Goods cleared to sister concerns	26
3.5	Undervaluation of DEMO cars	27
Chapter 4 : Cenvat credit		28-36
4.1	Irregular availing of Cenvat credit	28
4.2	Non-reversal of Cenvat Credit	28
4.3	Availing of Cenvat credit on ineligible capital goods	29
4.4	Short payment of Cenvat credit on clearance of used machinery	29
4.5	Irregular availing of Cenvat credit	31
4.6	Excess availing of input service credit	32

Contents		Page
4.7	Availing of Cenvat credit relating to commission paid to sales agents	33
4.8	Incorrect availing of Cenvat credit on exempted services	34
4.9	Irregular utilisation of Cenvat credit	35
Chapter 5 : Other topics of interest		37-42
5.1	Service Tax related compliance issues	37
5.2	Delay in issue of show cause notice resulting in loss of revenue	40
5.3	Incorrect utilisation of Cenvat Credit on basic Excise duty towards payment of Cess	41
5.4	Other cases	42
Abbreviations		43