

**Report of the
Study Group I
on
Cadre Restructuring
& Reorganization**



**Central Board
of Excise &
Customs**

**Exclusive
Central Excise &
Service Tax
Commissionerates**

September 24, 2009

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Executive Summary

1. Indian economy is now the second fastest growing economy of consequence in the world. The country has witnessed a growth in excess of 10% GDP jointly in manufacturing and service sectors in the last 5 years and will in all likelihood maintain this high trajectory of growth, despite temporary global slowdown since January, 2008. **It means the country has more than trebled its economic activity since the last cadre review and will be further doubling its economic activity in the manufacturing and service sectors in about 7 years at constant prices.**
2. **Such voluminous increase in economic activity together with demands to meet the expectations of the user-clients for much higher levels of facilitation, reliance on technology and increasing sophistication in tax frauds requires that the workforce is motivated, committed and trained to handle the new challenge. A timely and constructive cadre restructuring /reorganization is a necessary prelude to these objectives.**

Exclusive Service Tax Commissionerates

3. The service sector in India has been the sunrise area of taxation since the last cadre review and has shown phenomenal growth since inception, last six years in particular. There is an urgent need to provide additional manpower in this area to tap the vast potential.
4. Service Tax is presently being managed under great constraints of manpower. Its total collections are already equal to the non-POL Central Excise revenue, whereas the total workforce is only a very small fraction of the manpower deployed in Central Excise.
5. It is thus recommended to create 23 exclusive Service Tax Commissionerates, i.e., 17 additional Commissionerates, primarily on the basis of the following criteria:
 - a. A Commissionerate for every 17,500 assesseees in the cities of Mumbai and Delhi, which are expected to yield average revenue of Rs 3000 cr each. Delhi is recommended to have 4 Commissionerates and Mumbai 7 Commissionerates in place of one each at present. Each of these Commissionerates will have 5 Divisions with 5 Ranges each and full complement of 422 staff members.
 - b. A Commissionerate for every 12000 to 15000 assesseees in other major cities with concentrated revenue, i.e., cities of Ahmedabad (1), Bangalore (2), Chennai (2), Kolkatta (2)-figures in parenthesis indicating number of proposed Commissionerates- each of these with one Commissionerate at present and at Pune (1) and Hyderabad (1) each of which do not have an exclusive Service Tax Commissionerate at present. Each of these Commissionerates is expected to yield revenue between Rs 1,500 to Rs

2,000 cr. and have 4 Divisions with 5 Ranges each and a total of 356 staff members.

- c. A new Commissionerate each at Noida, Jaipur and Rajkot to cater to 7000 to 10,000 assesseees. Each Commissionerate is recommended to have 4 Divisions and 4 Ranges each and total 325 staff members.
6. It is also recommended to provide 14 Commissioner (Appeals) primarily on the basis of 1 Commissioner (Appeals) for every 2 executive Commissioners, plus at locations with heavy pendency.
7. Three Chief Commissioners, together with the necessary complement of staff are required to provide leadership and cohesion and also monitor performance in major tax-paying centres i.e. 2 at Mumbai and 1 at Delhi. For other locations Chief Commissioners may also be considered for the combined jurisdiction of Service Tax and Central Excise.
8. The total staff requirements for managing nearly 75% of the Service Tax target of Rs 65,000 cr in 2009-10 and assessee base of about 3,85,000 out of 7,00,000 as on March 31, 2010 through 23 exclusive Service Tax Commissionerates is 8,789 personnel or 7,354 personnel after accounting for the existing sanction . This compares extremely favorably with the manpower deployed for collecting any other tax, direct or indirect, by a huge margin.

Exclusive Central Excise Commissionerates

9. The new Commissionerates are proposed on the twin criteria of revenue collection as well as workload in terms of the number of units. It is recommended to create exclusive Central Excise Commissionerates on the norm of 1500 assesseees and revenue in the range of Rs.1500 crore to Rs.2000 crore. Each Commissionerate may have five Divisions with six Ranges each. Overall staff strength of a Commissionerate is recommended as 428.
10. There are clear trends in manufacturing activity moving away from major cities, which are centres of Service Tax collections. As a result the Central Excise revenue is largely stagnant in these cities or at least not growing at the pace witnessed in other taxes. Accordingly the number of Commissionerates in Mumbai are being reduced from the existing 8 to 6 and in Kolkatta from 7 to 5. However there has been noticeable growth in some regions. As a result two new Commissionerates are being proposed in Delhi Zone- one each at Gurgaon and Faridabd by bifurcating the existing Commissionerates- and one at Bangalore
11. Consequent upon creation of exclusive Service Tax Commissionerates at new locations the existing Central Excise Commissionerates in the respective jurisdictions of Hyderabad, Pune, Rajkot, Jaipur, Ghaziabad and Noida will become

exclusive or may have very little revenue from Service Tax in some far flung areas.

12. Creation of two posts of Chief Commissioners at Delhi (1) and Ghaziabad-Noida (1) is also recommended.

General

13. The recommendations have been made keeping in view the present regime of tax collections, with due allowances for foreseeable changes. The advent of GST, expected to be introduced from April, 2010, is likely to have major impact on the way many of the processes are carried. In fact much of the distinction between goods and services will vanish and to that extent the concept of exclusive Service Tax and exclusive Central Excise Commissionerates may need to be revisited.
14. While this switchover may take some time, it is necessary that the Department should position itself in a very high level of preparedness to meet the new challenge, particularly in the area of Service Tax, by implementing the cadre review before the GST is brought into force.

Report of the Study Group

Chapter 1

Introduction

1.1 Constitution of Study Group

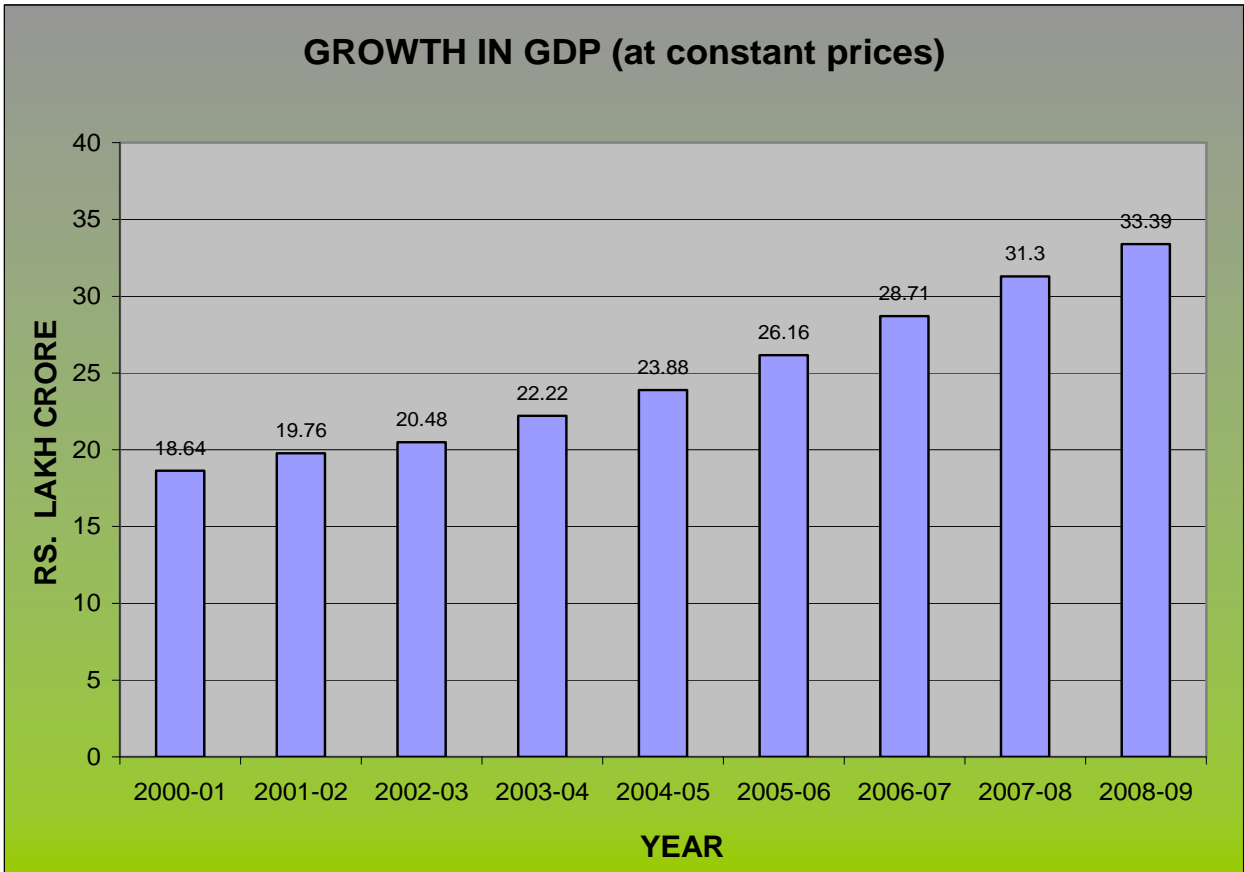
1. The Central Board of Excise and Customs has vide OM F.No. 8/12/13/O&PM/2008 dated 05.11.2008 constituted three Study Groups for undertaking the exercise relating to cadre restructuring/ reorganization of the field formations of the CBEC.
2. Study Group – I, comprising Ms. Jasdeep V. Singh, Chief Commissioner, Hyderabad (since transferred as Chief Commissioner, Customs Preventive, Delhi), Mr. Ram Tirath, Commissioner Central Excise, Rajkot and Mr. V.K. Garg, Commissioner, Service Tax (since transferred as ADG, Inspection, Delhi), has been tasked to prepare the report relating to the following:
 - a. Exclusive Central Excise Commissionerates.
 - b. Exclusive Service Tax Commissionerates.
3. Terms of reference of the Study Group-I are mentioned in the stated Office Memorandum (Annexure A). Briefly stated the terms are as follows:
 - a. Quantify the workload of the field formations in different areas and assess the growth potential.
 - b. Assess the number of units/ revenue that can be effectively and efficiently handled by the model staff strength of a Commissionerate.
 - c. Suggest revenue/units norms for reorganization of existing formations and accordingly work out creation of new formations: Zones/ Commissionerates/ Divisions/ Ranges in various geographical regions.
 - d. Suggest the staffing norms for new formations keeping in view all the relevant factors as also the existing staffing pattern as intimated by the Directorate of Organization and Personnel Management (since renamed as Directorate General of Human Resource Development).
 - e. Assess the impact of anticipated changes, in particular, by way of introduction of technology and process re-engineering already initiated or likely to be initiated in future, as also the impact of GST likely to be introduced from April 2010.

1.2 Methodology

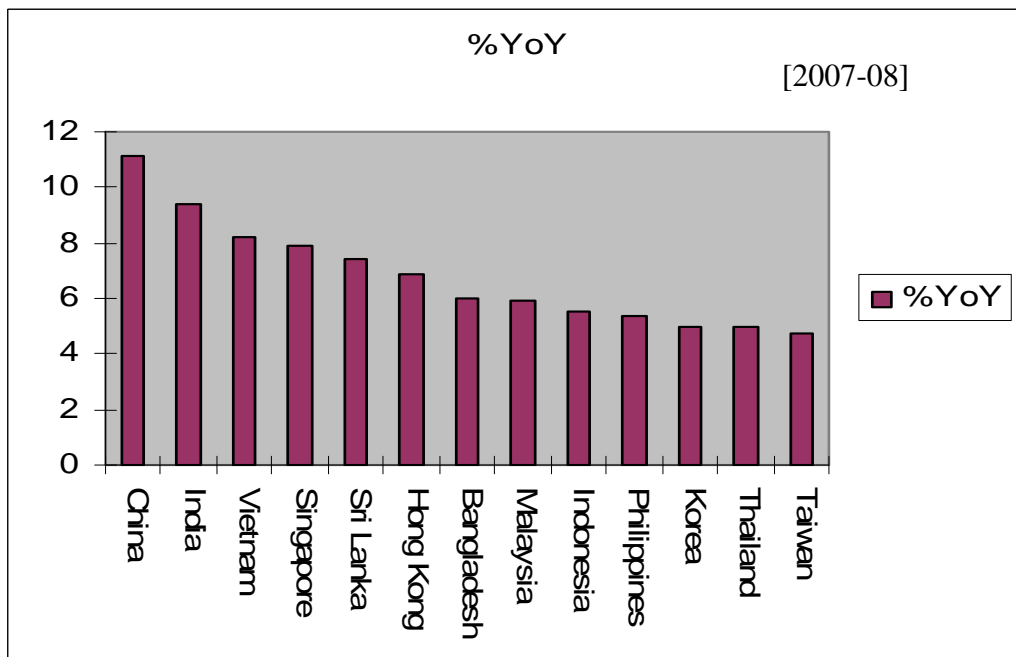
4. The Group followed a three-pronged strategy for the purpose of the Study:
 - a. Obtain detailed information from all relevant field formations through a questionnaire.
 - b. Rely on published data and other secondary sources of information.
 - c. Discussions with important functionaries to get an idea of the ground situation, including difficulties and challenges, as also to validate some of the important conclusions.
5. As the task given to the Group is relating to the creation of exclusive Central Excise and exclusive Service Tax Commissionerates, the Group has looked first at the identification of major geographical centres which contribute a sizable chunk of Service Tax revenue. Once the possibility of a Service Tax Commissionerate is established in any such area the Group has then worked out the viability of the remaining charge as an exclusive Central Excise formation by hiving off, or by suitable merger or rearrangement of the territories.
6. Certain issues of general nature, which have a bearing on the cadre reorganization, are as follows:
 - a.State of the Indian economy
 - b. Macro tax scenario

1.21 State of the Indian Economy

7. Indian economy has grown at near 6% per annum in the last two decades as against nearly half of that in the previous three decades. Growth since 2005-06 has been even more spectacular with average growth exceeding 9% in the last three years except in the last one year of recession. Even during the slow down India has produced a performance that is looked at with considerable admiration all over the world. The spectacular growth of the past decade will be evident from the following:

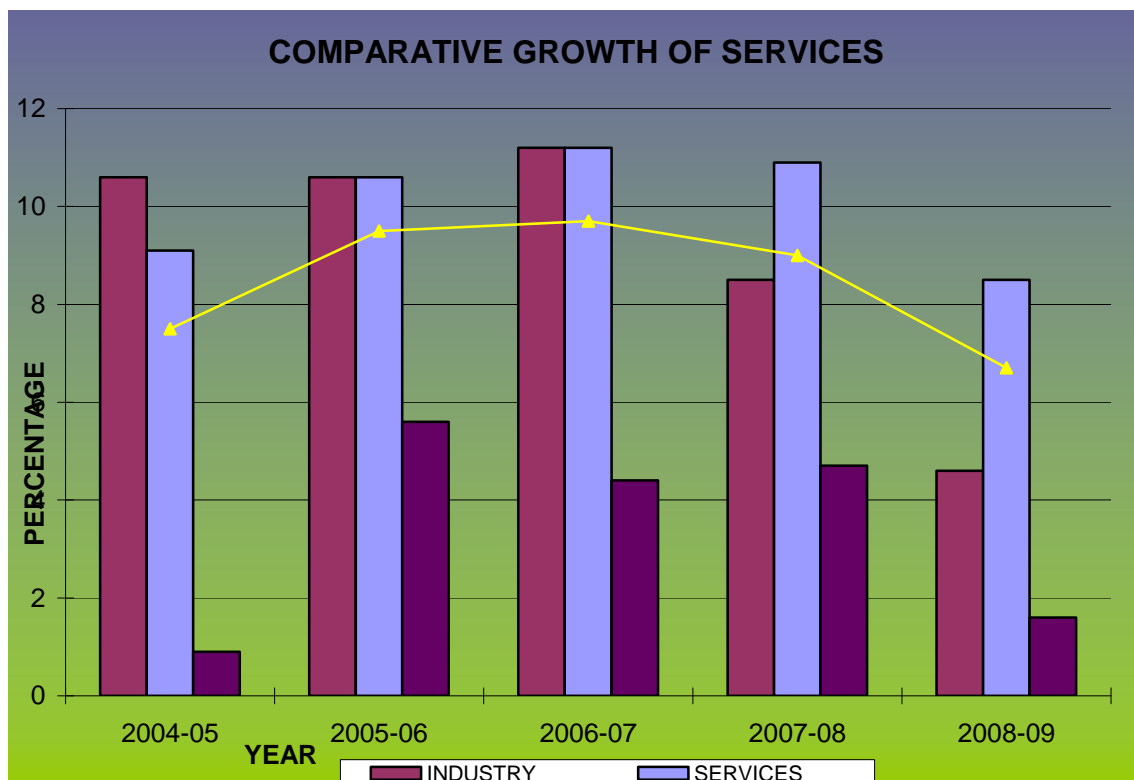


8. **India is now the second fastest growing economy of consequence in the world after China.** While China has experienced largely manufacturing-led growth, India's growth has predominantly come from the growth in services, though manufacturing sector has also been a close second.



9. As per the now famous Goldman Sachs' report, India will have the third highest GDP in dollar terms by 2050, next only to China and USA. India will surpass Japan, Germany and UK. This means that India is now on a fast trajectory of growth and that too on a long term basis. India has the requisite characteristics of a country on a high growth path: a rising saving and investment rate, rising international competitiveness and a huge young population.

10. **Over the years the share of agriculture in GDP has come down primarily because of considerable stagnation, while the share of manufacture and services has been on the rise. The service sector is growing at the fastest rate. The annual growth in services during the past four years has been in excess of 10%, a trend unmatched by any other sector of economy. Industry too grew at about 9.5% while agriculture growth was less than 4% during the same period**



11. **Share of India's service sector in the total GDP has also been increasing at a brisk pace. The service sector now accounts nearly 57% of India's GDP.** The rise in the service sector's share in GDP marks a structural shift in the Indian economy and takes it closer to the fundamentals of a developed economy (in the developed economies, the service sectors contribute a major share in GDP- going upto 85%- while industry accounts much less share while agriculture accounts even lower share).

12. The service sector's share has grown from about 44% per cent in 1990-91 to 52% percent in 1999-2000 and, as stated earlier, is now close to 57%. There was marked acceleration in service sector growth especially since mid-nineties and has continued well after the turn of the century (Source: Indian Economic Survey 2008-09). At the same time the share of manufacturing sector has more or less been maintained at about 25%, while that of agriculture has been declining.
13. While almost all service sectors participated in this boom, growth has been fastest in communications, IT & ITES, banking, insurance, hospitality, construction and business services. These are precisely the services that are subject of taxation.
14. India has embarked on a massive dose of infrastructure spending much of which will not only lead to direct rendering of services in erection, commissioning, installation and construction sectors but set a snow-ball effect of a thriving service sector once those respective sectors start rendering their own set of services like ports, airports, communication, transport etc. An idea of the investments planned can be obtained from the following Table:

Infrastructure	IX Plan ('97-'02)	IX Plan ('02-'07)	IX Plan ('07-'12)
Airports	66	129	400
Ports	50	54	50
Power	866	1452	4200
Railways	464	847	3220
Roads	546	994	2217
Telecom	472	989	1216
Total:	2464	4465	11,303

15. Moreover India's model of growth is unique. Unlike East-Asian counterparts, India's growth path is consumption-driven (and not export-driven) and to a certain extent has skipped manufacturing and moved more directly to growth in services, while leaving considerable potential for growth in manufacturing even at this stage.
16. **Any sector that is likely to be growing at constant prices @ 12% pa will lead to doubling of value in about 6 years.** Thus even without any further addition of services or even improved compliance the service tax collections will double in six years and that too at constant prices. **As the level of**

compliance improves- as is the common refrain and as is the objective of the cadre review- and as more services are roped into the tax net, the growth in service tax revenue is likely to be between 20-25% p.a. in the next 5 years. Adjusted for inflation, the tax collection are likely to grow by another 5% pa. Thus the service tax collections will double in the next three years.

17. The growth in the manufacturing sector too is not lagging much behind the services. India has huge competitiveness due to labour arbitrage in a number of industries e.g. textiles, leather besides edge in brain power leading to increasing potential in sectors such as automobile and ancillaries, machinery, bulk drugs. Its huge population and rising standards of living provide a huge domestic demand for setting up a sound industrial base in practically all areas of manufacture, more particularly white goods, FMCG and other items of mass consumption.

18. Thus India is on a very long trajectory of economic growth and consequently poses a huge challenge for the officers in meeting the growing volumes with increased levels of facilitation and sophistication.

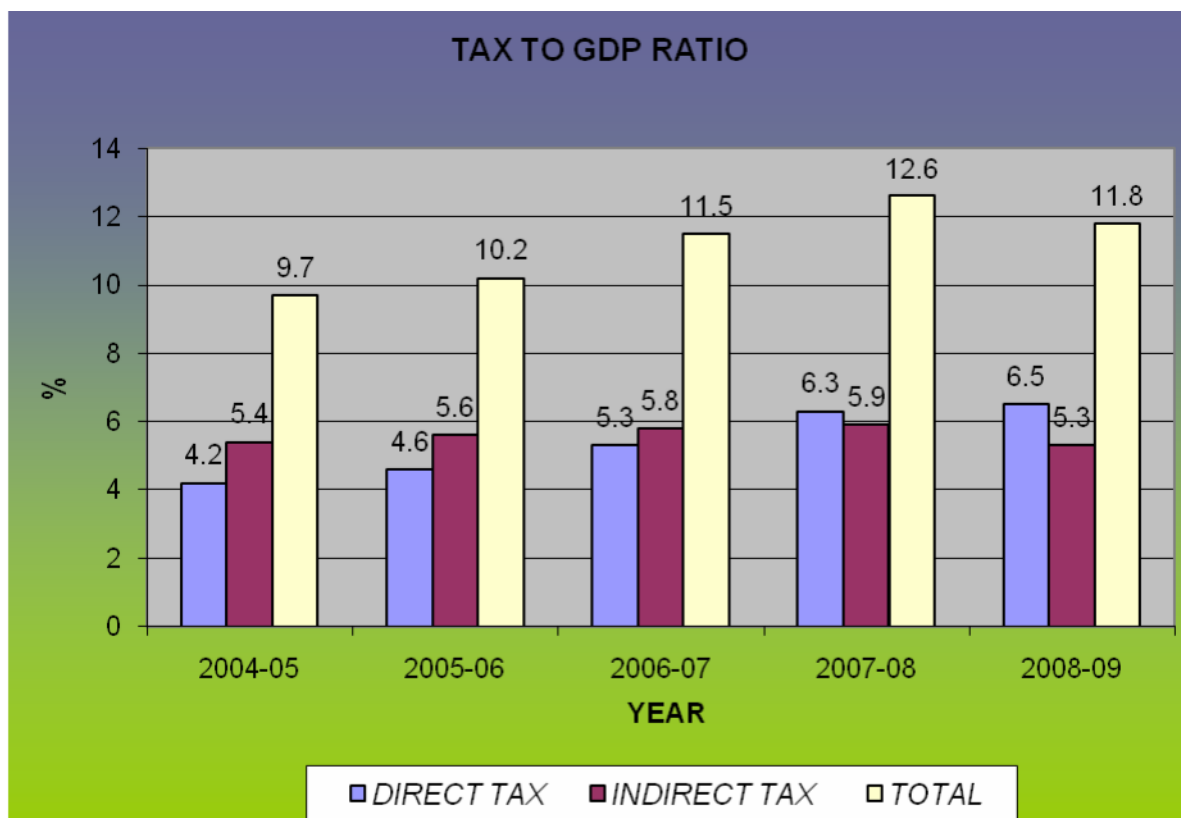
1.22 Macro Tax Scenario

19. India's tax to GDP ratio continues to be among the lowest in the world as can be seen from the following Table:

Country	Tax to GDP Ratio
Sweden	52%
UK	37%
Australia	31%
USA	27%
Japan	27%
China	27%
Mexico	20%
India	12.50%

20. Even after including the taxes collected by the States the ratio is in the vicinity of 17%. Some of the reasons for the low ratio are the large scale exemption in manufacturing and service sectors and large non-compliance.

21. The ratio has been improving in recent years (except in 2008-09 due to slowdown when it has gone down to 11%) as can be seen from the following bar diagram:

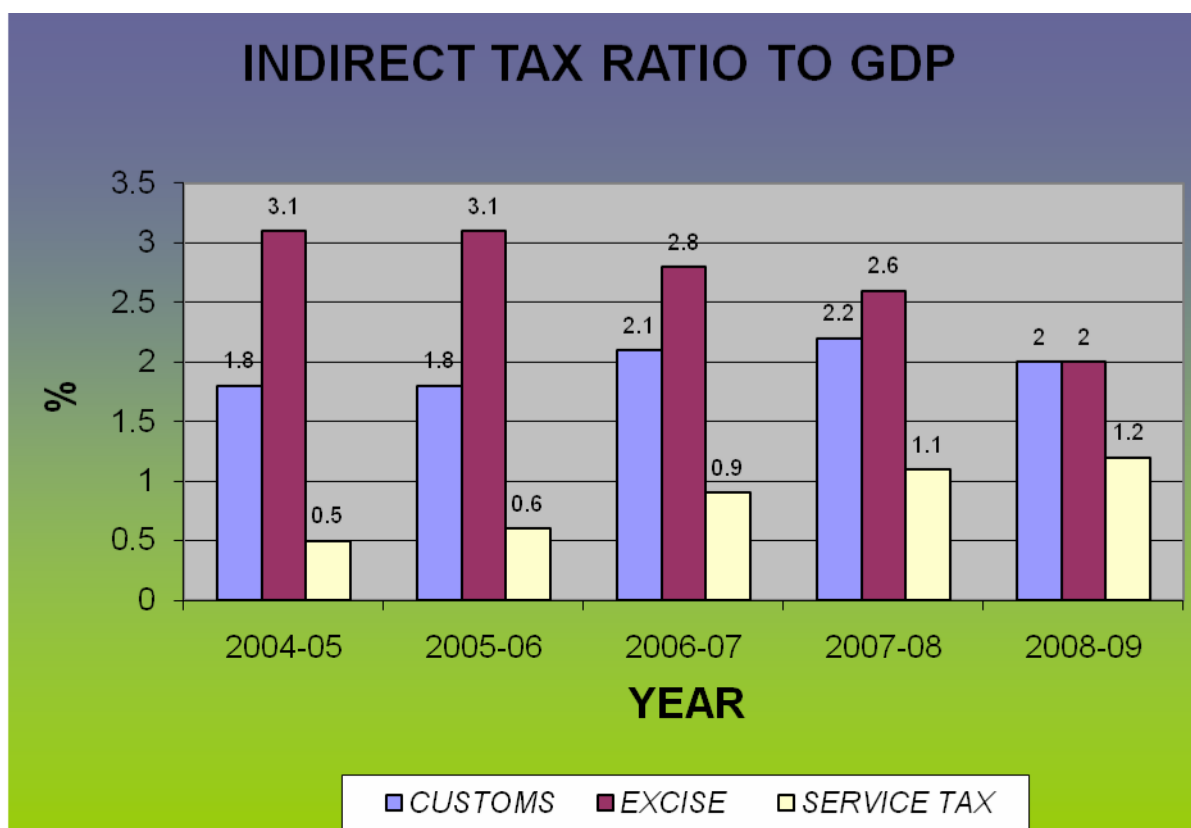


22. It is clear that one of the components of growth has been the share of direct taxes particularly in the wake of extremely buoyant economy from 2003 to 2008. At the same time share of indirect taxes has remained constant despite steep reduction in Customs tariffs, increase in excise exemptions, and near total exemption to the textile sector. The ratio relating to Excise has primarily declined due to the following:

- a. Exemption to the textile sector in 2004
- b. Grant of Area-based exemptions to J&K, HP, Uttaranchal, North-east and earthquake affected areas of Gujarat
- c. Reduction in tax rate on automobiles, air conditioners
- d. Reduction in tax rate from 16% to 14% from March 1, 2008 and later to 8% in Feb. 2009

23. These exceptional happenings are unlikely to continue the trend. In fact by all indications the Government is committed to phase out exemptions, expand tax base and usher an era of increasing the tax to GDP ratio in order to completely wipe out the revenue deficit and bring down the fiscal deficit to a more reasonable and acceptable level.

24. On the other hand the reduction in ratio from excise has been compensated from the growth in Service Tax, as will be evident from the following:



25. With the near stabilization of tax rates and the intended move towards GST by 2010 it is incumbent that large sections of hitherto non-tax areas are likely to be brought within the indirect tax net. Thus the tax to GDP ratio in future years will see quantum jumps largely through the growth in indirect taxes, and that too from the taxes on value addition.

26. A nation's GDP can be viewed either as a sum total of all incomes or all value additions. While the former are taxed as income tax the latter are taxed as VAT or in the case of India as CENVAT, Service Tax and State VAT. There are advantages of taxing in the either approach, the income tax is believed to be bringing more equity, while VAT being considered better on grounds of ease of collections, better compliance and most importantly, in recent times, in terms of compatibility with WTO for providing reimbursement of taxes on exports. It is not possible to reimburse income tax while all indirect taxes on exports are allowed to be refunded under the WTO laws. In a country which is still finding

its feet in the field of international competitiveness it is essential to maintain this balance between the two taxes, while achieving equity to a certain extent indirectly through threshold exemption for small and tiny sectors in so far as the production sector is concerned and by exempting goods and services for consumption by needy sections. India has been striving to achieve this critical balance for a long time.

27. In nutshell it can be safely concluded that the Indian economy will remain on a trajectory of fast growth for a long time and the role of indirect taxes will significantly enhance with the taxation of hitherto exempt sectors and geographical areas.

Exclusive Service Tax Commissionerates

Chapter 2

Exclusive Service Tax Commissionerates

2.1 Service Tax Growth

28. Service Tax was first introduced in July 1994 on three services. The collections during 1994-95 were Rs. 411 crores for the first nine months and during 1995-96, which was the first full year, Rs. 846 crores. In the initial years it was largely confined to services provided by public sector entities in the telecom and insurance sectors making its collection relatively easier.
29. **At the time of the last cadre review in 1999-2000, the total service tax collections were Rs. 2072 crores.** Though this was near threefold growth over the revenue at the beginning, yet the total volume in absolute terms, as well as a proportion of the total revenue collected by CBEC, remained **relatively small (2%) and to a great extent manageable by diverting existing resources**, albeit by stretching a little bit. With the opening of the economy to private players and increasing share of services to the GDP, the net was widened from time-to-time until 2001-02 but the total collections still remained relatively modest.
30. Rate of tax was raised in 2002 from 5% to 8% together with permitting utilization of Cenvat credit on input services. This led to a major increase in the tax collections which reached Rs 4,125 cr in 2002-03. However this did not lead to dramatic increase in the work load. Thereafter the service tax saw a steep increase, guided mainly by the following factors:
- a. Increase in rate to 10% in September 2004 and finally to 12% in April 2006
 - b. Taxation of new services, in particular high-revenue yielding e.g. Business-related, construction, real estate and renting, transport, including rail transport, financial , IT, mining bringing the near entire set of business and commercial services in the tax net
 - c. Taxation of import of services (in 2002 but largely streamlined in 2005 & 2006)
 - d. Taxation of advances (in 2005)
31. Service Tax collections saw unprecedented growth in the period after that. Complete picture of growth for the last 10 years- and since the last cadre review- will be evident from the following Table:

Year	No of Services	Rate	Revenue (In Rs. Crore)	% Growth
1999-00	27	5	2,072	3%
2000-01	27	5	2,540	23%
2001-02	42	5	3,305	30%
2002-03	52	5	4,125	25%
2003-04	62	8	7,890	91%
2004-05	75	10	14,196	80%
2005-06	84	10	23,053	62%
2006-07	99	12	37,598	63%
2007-08	106	12	51,301	36%
2008-09	103*	12	60,716	18%

* Some services were merged while new were also added

32. The growth was witnessed not merely in the increase in revenue. It happened in the assessee-base also as will be evident from the following Table:

Year	No of Assesseees	% Growth
2000-01	1,22,326	6%
2001-02	1,87,577	53%
2002-03	2,32,048	24%
2003-04	4,03,856	74%
2004-05	7,74,988	91%
2005-06	8,46,155	9%
2006-07	9,40,641	11%
2007-08	10,73,075	14%
2008-09	11,67,248*	11%

* Till Jan, 2009

33. As the revenue increased and the assessee base swelled the pressure to collect revenue also increased, particularly after the steep increase from 2003 immediately after the cadre review was implemented. It became incumbent to consider specialized and exclusive formations to collect the tax.

34. **In October 2004 six exclusive Service Tax Commissionerates were created at Ahmedabad, Bangalore, Chennai, Delhi, Kolkata and Mumbai based on the revenue of 2003-04 which was Rs 7,890 crores of which the six Commissionerates contributed nearly 60%.** Telephone and insurance contributed about 50% of this revenue and did not provide the extent of challenge that were to happen in the immediate future by more evasion-prone services. The criterion adopted was creation of an exclusive Service Tax Commissionerates wherever the revenue was found to be in excess of Rs. 250 crores p.a. The

manpower requirements of the said six Commissionerates were entirely met by diverting the staff out of the existing resources purely as an emergency measure.

35. The revenue further showed a quantum jump the very next year with 80% hike. The revenue of the six exclusive Service Tax Commissionerates during the year 2004-05, the very first year of operation and during 2008-09 has been as follows:

Rs in Cr

Commissionerate	2004-05	2008-09	% Growth
Ahmedabad	241	999	415
Bangalore	761	3,432	450
Chennai	1038	3,363	324
Delhi	1998	9,906	496
Kolkata	806	2,438	302
Mumbai	3980	20,205	508
TOTAL	8824	40,343	457

36. There are two visible observations from the above:

- a. There is wide divergence in the revenue across Commissionerates
- b. Likewise there is also divergence in the rate of growth across Commissionerates over the years, with Delhi and Mumbai showing much greater increase

37. The wide divergence in the revenue as well growth across Commissionerates has been due to the increasing trends towards centralization of revenue in big metros, particularly in telephone, insurance and banking sectors.

38. **As a result of the expansion in coverage and increase in rate, Service Tax has become not only a recognizable tax in its own capacity but is also likely to cross the collections from other indirect taxes in force over more than six decades in the case of Central Excise and more than a century in the case of Customs. The budgeted collections from Service Tax during 2009-10 are Rs 65,000, which is likely to be more than the Non-Oil revenue from Central Excise during the same period.** As the revenue collections from oil do not pose the extent of challenge proportional to the amount of tax it is safe to conclude that the challenge in administering Service Tax is already of the same order as Central Excise.

39. Together with the above changes on the revenue front and expansion by addition of new services, a number of other major changes happened, briefly stated below:

1. Allowing of Cenvat on Services in 2002 and its later expansion to cross utilization among goods and services, opening the harmonization of the two taxes, namely the Service Tax and Central Excise
2. Taxation of import of services in 2002
3. Refund of taxes paid on services exported and taxes paid on input services used in export in 2005 and subsequent expansion of taxes paid on input goods on export of services in 2006 as also reimbursement of taxes paid on input services used on export of goods, adding considerably to the work of the officers
4. Introduction of web-based services to clients since December, 2006 with a view to facilitate the user-clients

40. These changes, coupled with expansion of service tax and addition of a large number of tax assessee put severe strain on the Department's limited resources. This exponential growth in Service Tax continued to be managed with the existing resources, largely by redeployment from other Central Excise formations. In August, 2007 the sanction of the Cabinet was obtained for 4647 posts at different levels of which 2094 were given for service tax.

2.2 Service Tax Processes

41. In order to assess the work load it is necessary to have some idea of the processes, which comprise all the statutory and other requirements in the administration of the tax. The service tax processes are not materially different from other indirect taxes in theory. However due to severe shortage of staff it has been a consistent policy to optimize the resources so as to concentrate only on essential functions. It will not be wrong to say that this has left many untapped sources of revenue as is evident from poor compliance record. Brief account of the important processes in the administration of Service Tax is as follows:

a. Registration: Every assessee is required to obtain a registration within 30 days of becoming liable to pay tax. It can be for one premise, in which case it is granted by Superintendent, or multiple premises, when it is granted by the Commissioner on the basis of processing done in the Division.

b. Scrutiny of Returns: Service Tax Return, in Form ST-3, is filed twice a year for the two six-monthly periods. It is the basic source of data on tax payment, both in cash and Cenvat, and serves a host of purposes e.g. revenue analysis, ensuring proper payment of tax, profiling of assessee for audit. As the return stands self-assessed by the assessee it is required to be scrutinized by the officers to ensure proper payment of tax and, if necessary, issue of demands as also other follow-up demands when an assessee has already been issued a show cause notice in any previous matter. CBEC has issued detailed guidelines for ST-3 scrutiny.

c. **Audit:** Audit is the primary tool to examine in a comprehensive manner the proper payment of Service Tax and compliance with various requirements by the assessee. It is carried out at the premises of the assessee by going through his records. Any discrepancy is placed before a specially constituted Committee, called Audit Monitoring Committee (AMC). If approved in the AMC the demand is issued to the assessee.

d. **Anti-evasion:** Non payment of tax, usually by way of fraudulent practices, invites anti-evasion action, which comprises searches, seizures and detailed investigations which may lead to the issue of show cause notice. In appropriate cases notice is also issued for provisional attachment of property.

e. **Issue of demands:** Any short payment of tax can be recovered only on issue of a demand, which may arise either based on scrutiny of ST-3 return or audit or anti-evasion.

f. **Adjudication:** The quasi-judicial process of determination of tax liabilities, including penalties. Officers at different levels have been charged with the responsibility of adjudication depending on the amount of the tax involved

g. **Refund:** Return of excess taxes paid by an assessee or taxes paid on goods and services exported.

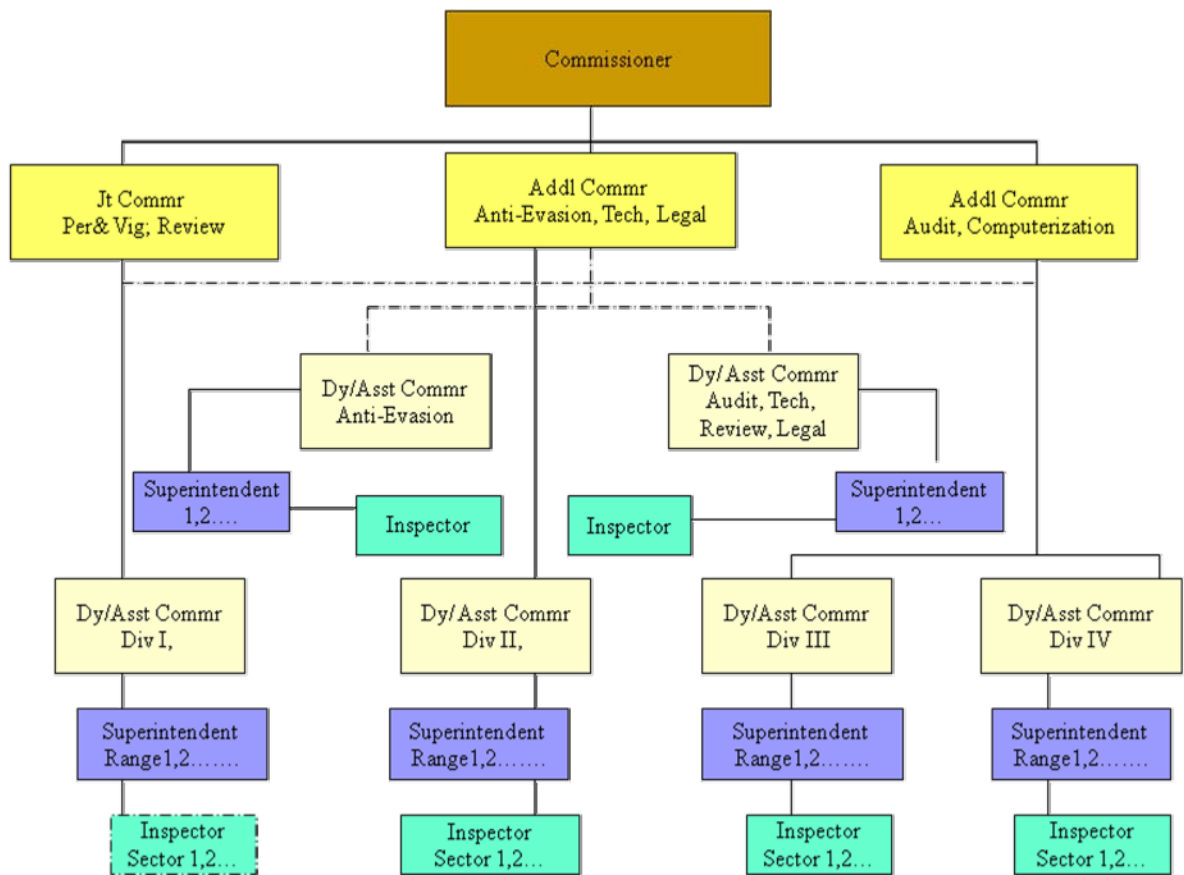
h. **Review:** Examination of the adjudication and refund orders passed by various adjudication authorities in order to consider the possibility of further appeal at higher level

i. **Facilitation:** All the various processes to make tax payment friendly and to clarify doubts and disputes of tax-payers as also handling specific instances of grievance.

j. **Miscellaneous:** All other processes that are typically carried out at different levels for the proper administration of the tax e.g. statistics, legal, technical, and vigilance.

2.3 Organization Structure and Job Description

42. The typical organization structure of a Service Tax Commissionerate indicating the executive functions is as follows:



43. The primary work is performed in a unit called “Range” at the level of inspector under the direction and supervision of Superintendent. The range works under the overall control and direction of an Assistant Commissioner or Deputy Commissioner, who heads a set up called Division.
44. In order to assess the workload and consequent manpower requirements it is essential to get an idea of the work performed at these levels. The role and responsibilities at different operational levels were prescribed by CBEC vide F.No. 137/159/2006-CX.4 dated July 30, 2007. These are listed at Annexure B.
45. It can be seen that these are extremely diverse responsibilities. The workload, though, fairly standardized over a period of time, is subject to many vagaries on a day-to-day basis. The time required for various tasks also varies according to the complexities on a case-to-case basis. To that extent it is not possible to capture the exact time required to handle each of these without carrying out a fairly detailed time study. Moreover the time required for certain tasks is conditional to the more essential tasks being accomplished first. For example the range has the most important responsibility of issuing registrations as the highest priority so that the assesseees can start paying revenue. Equally important is the task of issuing demands within the prescribed time so that the same don't become time-barred. In these circumstances other lesser important tasks e.g. scrutiny take a hit.
46. Accordingly a study was carried out to figure out what could be an ideal workload of a Range. During discussions with the relevant officers the time required for various tasks

for different size of the assessee-base was discussed. It seemed that the following time requirements serves as a good bet for estimating the work load of the Range officers:

Activity	Average time devoted per day by Supdt.	Average time devoted per day by Inspector
Registration	30 mts.	1 hr
Scrutiny of ST-3	2 hrs	4 hrs
Processing refunds	1 hr	2 hrs
Issuing demands	1 hr	2 hr
Statistics, maintenance of records & registers	30 mts	1 hr
Arrears recovery; adjudication, client interface/visits	1 hr	2 hr
Misc work	2 hr	4 hr
Total	8 hrs	16 hrs

47. In terms of a proper span of control and keeping in view similar span in case of Central Excise the CBEC has prescribed that a Commissionerate may have five divisions and each Division comprise five ranges. In addition there is staff for administration section, both at the Divisional level as well as at Commissionerate HQ, which is fairly standardized.

2.4 Data Collection

48. Before estimating the manpower requirements, it is essential to spend a little time on data collection in Service Tax. Being a tax of recent origin, which has undergone frequent changes from time-to-time, and in view of the near total absence of computerisation, the data, as commonly accessible in respect of other taxes, is either not available at all or in the required form in Service Tax. This necessitates certain assumptions and estimations.

49. The most important data requirement is the number of assessees. Normally this information is readily available by way of number of registrants. However in the case of Service tax it is not possible to rely on this data. In 2004, the Government introduced threshold exemption of Rs 4 lakhs, which over a period has been enhanced to Rs 10 lakhs. As a result a number of registered assessees have come out of the tax net. Normally such assessees should have got themselves de-

registered. However that has not happened in a mentionable way for a variety of reasons. As this number is sizable it is necessary to get the closest substitutes.

50. The data on the number of assesseees has thus been based on the number of persons who have filed ST-3 returns. However the data of active assesseees based on returns filed for the period ending March 31, 2009 is not available. The same has been projected based on the normal growth witnessed in recent past and suitably rounded off. The cadre reorganization exercise, even at the earliest, is not likely to be implemented before March 31, 2010. Thus it will be more relevant to work on the assessee base as on March 31, 2010. The data for registered and active assesseees upto September, 2008 and thereafter projected is as follows:

Date	Number of registered assesseees	Number of active assesseees
March 31, 2007	9,40,641	4,87,310
March 31, 2008	10,73,075	5,05,460*
September 30, 2008	11,37,547	5,48,378
March 31, 2009	12,00,000	6,00,000
March 31, 2010	13,00,000	7,00,000**

* Exemption was enhanced; thus increase was relatively modest

** Exemption constant; so all new assesseees will also be active assesseees

51. Having estimated the data on number of assesseees it is also important to get the data of the assesseees in different tax-paying slabs that form the basis of different controls like scrutiny and audit.
52. While fairly reliable data is available of the number of assesseees in different tax slabs, the data pertains mostly to tax paid in cash, though some formations have captured it both for cash and Cenvat. However the prescribed controls base the frequency on the total revenue i.e. cash and Cenvat. In the case of Service Tax the ratio of tax paid in Cash to Cenvat is 3:1 approximately. Thus the existing figures have been suitably amended on these lines to obtain the revised slabs. These have been counterchecked with the figures of such formations where the precise details have been captured to fine tune any major deviations. Based on all these inputs the distribution of the existing active assesseees is as follows:

Tax slab Cash + Cenvat	Number of assesseees	% of the total
>5 cr	1,400	0.20%
Rs 1-5 cr	4,900	0.70%
Rs 50 lakhs-1 cr	4,200	0.60%
Rs 25 to 50 lakhs	14,000	2%
Rs 10-25 lakhs	84,000	12%
< Rs 10 lakhs	5,91,500	84.50%
Total	7,00,000	100%

2.5 Assessing Work Load and Manpower Requirement

53. The extent of manpower requirement is a function of the extent of control required to be exercised. It needs no elaboration to say that if the control is loose the manpower requirement will be significantly less than that would be if the controls were to become stricter. An ideal control mechanism will depend on a number of factors of which mention should be made of comparable controls in other like taxes.
54. As already stated, Service Tax is largely a product of recent origin, more specifically last 5 years. To that extent it is not possible to follow an incremental approach to assess the additional work force. The tax administration is far from being stable and presently whatever is being accomplished is based on what is possible to attain within the existing manpower rather than what should ideally be done in an optimal situation. Thus the study has been done on the basis of work load using the available norms as well as the norms in Central Excise, which in any case is shortly merging, along with service tax, into GST. This has been validated by studying the comparative manpower in other indirect taxes to tidy up any violent differences as also unforeseen factors.
55. There can't be a more scientific basis than to assess manpower requirement based on workload. Revenue has a fairly skewed distribution with a good chunk coming from large assesseees, who do not pose the challenge proportionate to the size of revenue. Every single control that is exercised- scrutiny, audit or anti-evasion- has a direct bearing on the manpower requirement and vice versa.
56. Work load is directly linked to the number of assesseees. However it is also true that an assessee paying higher revenue will be subjected to more frequent and more intense control in comparison with the one paying lower revenue. This is, however, duly factored while deciding the relevant norms for different controls.
57. In addition to assessing manpower requirements as a whole it is also essential to assess requirements at different levels of administrative units i.e. Range, Division, Commissionerate office and elsewhere.

58. There are three important controls that engage bulk of the time in the administration of Service Tax:
- a. Scrutiny
 - b. Audit
 - c. Anti-evasion

2.51 Scrutiny

59. The norms for scrutiny in Service Tax were prescribed vide CBEC F. NO 137/27/2007-CX.4 dated Feb. 8, 2007. These norms were fixed keeping in view the availability of manpower at that time. The distribution of the assessee in different tax brackets and the respective norms are as follows:

Tax paid in PY or CY (Cash + Cen)	% of the assesses	% Scrutiny of the number of returns
>Rs 50 lakhs	1.50%	100%
Rs 25 to 50 lakhs	2%	50%
< Rs 25 lakhs	96.50%	5%

60. **It can be seen that more than 96% of the assesseees are in the last category. Thus in the case of a very large number of assesseees the scrutiny will happen only once in 20 years as per the existing norms.**
61. In terms of the Finance Act 1994, which deals with Service Tax, the demand in cases where the assessee has made a complete and truthful declaration can be issued only within a period of one year from the date of filing return. Extended period up to 5 years is available only when the assessee has indulged in fraud, misrepresentation, collusion or any other wrongful act with intention to evade. **Failure to scrutinize the return within a reasonable period before the expiry of one year exposes revenue to substantial risks. The selective scrutiny, which was prescribed in Feb. 2007 purely as a pragmatic step keeping in view the constraints of staff, would need to be looked at holistically recognizing the stated risks to revenue.**
62. The Study Group has also been mandated to suggest appropriate norms that will achieve the ends of optimizing the needs of revenue as well facilitation of the trade and work out norms based on that. The Group has noted the practice in the case of Central Excise where cent percent preliminary scrutiny is being carried out and percentage cases are picked up for detailed scrutiny. Consequent to the project on computerization of Central Excise and Service Tax operations, named ACES, which is being operationalized shortly, it seems that the entire work of preliminary scrutiny will be taken up by the computers while the work of detailed scrutiny will be handled by the officers.

63. The Group feels that- in view of the legal requirement to issue notice of short payment in normal situations within one year- the scrutiny norms for detailed scrutiny may be specified as follows:

Assessee profile Tax in PY or CY	% of the assesseees	% Scrutiny(of the number of returns)
>Rs 50 lakhs	1.50%	100%
Rs 25 to 50 lakhs	2%	50%
Rs 10-25 lakhs	12%	25%
< Rs 10 lakhs	84.50%	10%

64. These norms will not strain the departmental resources in a big way while at the same time ensure that a major chunk of the revenue is scrutinized within the statutory period. This still leaves a large number of assesseees
65. The areas for detailed scrutiny have been circulated recently by the CBEC under the circular F No. 137/158/2008-CX.4 dated April 23, 2009. The scrutiny prescribed now is far more scientific and detailed. Each return picked up for scrutiny is required to be carefully gone through and its data analyzed, additional information requested, wherever needed, and based on the data in the annual report and other relevant data available, carefully collated. In appropriate cases a show cause notice is required to be prepared and issued. Based on the sample study it is learnt that each detailed scrutiny is likely to take different time. Moreover the range officers, who are required to do this work, have a number of other functions like issue of registration, processing cases of centralized registration, processing refund claims, field visits, processing of audit paras, reports and returns and many other miscellaneous functions. As already stated, it seems that it may not be possible to devote more than 2 hours a day to the task of scrutiny at the level of Superintendent and 4 hours at the level of inspector.
66. Based on the above criteria the manpower requirements have been worked out for the purpose of scrutiny and are as follows:

Assessee profile	No. of assessees	No of returns	No of returns to be scrutinized	Average time reqd. per return (Hrs.)		Total Time reqd (Hrs.)	
				Supdt.	Inspr.	Supdt.	Inspr.
Tax in PY or CY				Supdt.	Inspr.	Supdt.	Inspr.
>Rs 50 lakhs	10500	21000	21000	6	12	1,26,000	2,52,000
Rs 25 to 50 lakhs	14000	28000	14000	3	6	42000	84000
Rs 10-25 lakhs	84000	1,68,000	42000	2	4	84000	1,68,000
< Rs 10 lakhs	5,91,500	11,83,000	1,18,300	2	4	2,36,600	4,73,200
Total	7,00,000	14,00,000	1,36,150			4,88,600 or	9,77,200 or
						2,44,300	
						days*	4,88,600 days

* On the basis of 2 hours a day in terms of para 46

67. Taking 250 working days in a year, the total manpower requirements at the two levels will be 977 Superintendents and 1,955 inspectors or in other words one superintendent can handle 716 assessees and an inspector half of that, which may be suitably rounded off to 700 and 350 assessees, respectively.

2.52 Audit

68. In the case of Audit the frequency has been prescribed in terms of CBEC F. No 381/145/2005/2110 dated June 6, 2006 and the duration of audit prescribed as per the Service Tax Audit Manual 2003 in different tax-paying slots are as follows:

Assessee profile	Frequency of Audit	No of days for each audit
(Tax paid in PY Cash + Cenvat)		
>Rs 50 lakhs	Every year	7
Rs 25 to 50 lakhs	Once in 2 years	7
Rs 10-25 lakhs	Once in 5 years	7
< Rs 10 lakhs	2% every year	5
		(3 days if < Rs 3 Lakh)

69. Reports received from the field indicate that even these norms are not being adhered to due to severe shortage of staff. In most big Commissionerates the actual audits done were less than 0.5% of the total assessees. Even the mandatory audits in the highest tax-paying slab could not be done.
70. The norms in any case require audit of 2% of the assessees paying revenue of less than Rs 10 lakhs. It means such assessees will be audited once in 50 years, a proposition which makes little sense to make an effective strategy to garner revenue. These norms need revision.
71. The Study Group has been mandated to suggest revised norms that will optimize the needs of the revenue. The Group has noted the prescribed norms in the case of Central Excise norms which are as follows:

Tax paid in PY	Frequency	No of days for each audit
(Cash + Cenvat)		
>3 Cr	Every year (100%)	10
Rs 1-3 cr	Once in 2 years (50%)	7
Rs 50 lakhs- 1 cr	Once in 5 years (20%)	5
< Rs 50 lakhs	Upto 10%	5

72. The Group feels that there is strong rationale to align the Service Tax norms to a certain extent with that of Central Excise. The level of compliance in Service Tax is much poorer. Moreover the Cenvat amount in Service Tax is much smaller and to that extent the quality of revenue paid in Service Tax is more sensitive. Thus the existing limits for mandatory audit can be maintained for assessees paying revenue above Rs 1 Cr. However, unlike Central Excise, where the audit is done for each factory, in the case of Service Tax the audit may involve one premises or certain number of premises in a certain geographical area or the whole entity depending on the level of centralized registration. Thus the size of some of the assessees may be really huge not only in terms of the turnover but also the number of premises. It will be unimaginable to audit such assessees in a period of 7 days as prescribed now. On the other hand the frequency of audit for assessees in the taxpaying range Rs 50 lakhs-1 cr can be reduced to 50% and also the duration of audit for assessees in the category of Rs 25-50 lakhs can be slightly reduced from 7 days to 6 days so that the periods of audits can be made multiples of 6 or 4 in most cases and such that 2 parties could be deployed for 6 days each in heavier audits. Thus the duration of audits are proposed as follows:

Tax paid in PY (Cash + Cenvat)	Frequency	No of days for each audit
>5cr	100%	12
Rs 1-5 cr	100%	8
Rs 50 lakhs-1 cr	50%	6
Rs 25 to 50 lakhs	50%	4
Rs 10-25 lakhs	25%	4
< Rs 10 lakhs	2%*	3

* Concentrating mainly on assessees, other than individuals and in specified services only so that the effective percentage will be higher in relevant areas.

73. The audit task includes desk review, which means a careful study of the available data as well data obtained from the assessee in advance, primarily relating to financial statements and other statutory records. The purpose is to visit the assessee's premises with full knowledge of the basic details so that the interaction with the assessee is informed and productive. This process takes anywhere from 2 to 3 days every month. On completion of audit the team prepares its full report, which is required to be presented on a monthly basis before the Audit Monitoring Committee headed by the Commissioner and comprises nearly the entire senior officials of the Commissionerate. Keeping in view these factors the effective period available for field audit in a month is about 19 working days or 228 days a year.

74. Based on the above profile and the revised audit norms the number of teams required will be as follows:

Assessee profile Tax paid in PY (Cash + Cenvat)	Approx. No. of assessees	% Audit prescribed	No of audits per year	No of days per audit	No of audit days reqd.
>5cr	1400	100%	1400	12	16800
Rs 1-5 cr	4900	100%	4900	8	39200
Rs 50 lakhs-1 cr	4200	100%	4200	6	25200
Rs 25 to 50 lakhs	14000	50%	7000	4	28000
Rs 10-25 lakhs	84000	25%	21000	4	84000
< Rs 10 lakhs	5,91,500	2%	11830	3	35490
Total	7,00,000		46720		2,28,690

75. Based on 228 days available in a year effectively- this will require a total of 1,000 audit teams or 700 assessees per audit team. An audit team is expected to comprise 2 superintendents and 1 inspector. Based on these the number of superintendents required is 2,000 and inspectors 1,000.

2.53 Anti-evasion

76. By its very nature there are no norms for this work. The extent of this work, however, has a close relation with revenue and the number of assessees, as well number of non-assessees, besides the level of non-compliance. The number of effective assesses i.e. number of persons regularly paying tax and filing return is at present about 6,00,000. In a country where more than 3.5 crore assessees are registered in income tax this number appears grossly inadequate even after making due concessions necessary for such comparisons. Moreover nearly 85% of the assessees in Service Tax are paying tax of less than Rs 10 lakh per annum. This does give an idea of the extent of non-compliance in Service Tax.

77. The figures of tax evasion, despite severe constraints of manpower, itself tell the story as follows:

Year	Number of cases		Value of detections		Spot recoveries	
	Number	% increase	Value	% increase	Value	% increase
2006-07	4342	-	941	-	297	-
2007-08	3061	(-)30%	1303	38%	469	58%
2008-09	3785	24%	4145	218%	642	37%

78. When the threshold exemption was first introduced in 2004 nearly half the assessees stopped paying tax and continue to be so. Due to shortage of manpower it has not been possible to verify even these listed assessees whether they were really within the exemption limit.

79. The Department has launched survey and inspection work from time-to-time, albeit for short periods, to register new assessees. This work has been carried out both by visiting the target premises as also by relying on published data, advertisements released by the service providers and also based on information available with other government departments (e.g. Income Tax details on income from house property for data on renting of immovable property service). The success has been phenomenal but the reach still considerably inadequate.

80. Anti-evasion units in Central Excise usually comprises 5 superintendents and double the number of inspectors and charged with the responsibility of handling about Rs 500 crores of cash revenue and about 1000 assessees or Rs 100 crore revenue and 200 assessees per anti-evasion team. In the case of Service Tax, the evasion is far more wide spread and its detection far more complex due to the fact that the team has to deal with intangibles, with nothing available to seize as offending property. However the turnover is much higher in service tax,

particularly in bigger cities where large-revenue paying assesseees are centralized. Looking in totality it is felt that an anti evasion team in Service Tax should handle about Rs.400 to 500 crore revenue and 3500 assesseees in metros and proportionately reduced for smaller Commissionerates. Each team will comprise 1 Superintendent and 2 Inspectors.

2.6 Manpower Requirements - Executive Functions

81. Having worked out the manpower requirements in three important areas it is necessary to work out the requirements in different administrative units like Ranges, Division and a Commissionerate and the total requirements.
82. At the time of the creation of the six exclusive Service Tax Commissionerates in 2004 the staff was diverted from Central Excise. Later in August, 2007 the sanction was obtained from cabinet and distributed to the field as follows:

S. No.	Rank	Sanction strength
1	Commissioner	1
2	ADC/JC	2
3	DC/AC	7
4	Supdt	43
5	Inspector	83
6	CAO	0
7	PS	1
8	AO	2
9	DOS	1
10	STA	2
11	TA	1
12	Steno	10
13	Driver	3
14	Hav/Sepoy/Peon	35
	Total	191

83. In addition staff- comprising 1 superintendent and 2 inspectors per team- was sanctioned for audit purposes for each existing Service Tax Commissionerate as follows:

Commissionerate	No. of Audit Teams
Mumbai	21
Delhi	16
Kolkata	10
Chennai	10
Bangalore	8
Ahmedabad	5

84. For other formations, i.e., the combined Central Excise and Service Tax, audit staff was sanctioned as follows:

Revenue	No. of Audit Teams
> Rs 500 cr	6
150 -500 cr	5
100-150 cr	4
< 100 cr	3

85. Thus the total sanctioned strength of a Service Tax Commissionerate ranges from a minimum of 206 in the case of Ahmedabad to a maximum of 254 in the case of Mumbai. The difference in the revenue of the two Commissionerates was however in the proportion of 1:20 in 2007-08.

86. The distribution of the staff between Gp A, Executive, Ministerial and others is as follows:

Gp A	Executive	Ministerial	Others	Total
10	126+ Audit	17	38	191+ Audit

87. On the other hand a model Commissionerate in Central Excise has been assigned a total staff strength of 403 officers with the following break-up:

Gp A	Executive	Ministerial	Others	Total
12	216	91	84	403

88. **There was no fundamental reason to distinguish the sanctioned strength of the Commissionerates of Service Tax from those of Central Excise except that, in the absence of its own sanction, only limited staff could be made available in Service Tax. On the contrary Service Tax Commissionerates needed to have more staff both on grounds of revenue as well as assessee base.**
89. Another noticeable difference is the sanction of staff in the ministerial cadre. Service Tax has been sanctioned only 17 persons in ministerial cadre while Central Excise has been provided 91 whereas the total strength in Central Excise is only about double of Service Tax.
90. Now that a proposal for cadre review is under consideration, there is a need to look at the required manpower scientifically with a view to standardize the sanctioned strength of a Commissionerate, as far as possible.
91. Before deciding the constitution of a Commissionerate, it is necessary to understand that there are significant differences in the profile of the assesseees across different regions of the country. Broadly the regions can be divided as follows:
- A. Regions with heavy concentration of very big assesseees with All-India operations, i.e., Mumbai and Delhi. The two Commissionerates at present contribute about 50% of the total revenue.
 - B.Regions with considerable concentration of big assesseees, with partially All-India, but generally regional concentration i.e. Ahmedabad, Bangalore, Chennai, Kolkatta, Pune and Hyderabad.
 - C.Other regions with considerable revenue with promising potential for growth in future.

2.61 Region A

92. As stated earlier, nearly 50% of the Service Tax revenue comes from Delhi and Mumbai Service Tax Commissionerates. As they collect bulk of the revenue they may be constituted on a full complement of staff as discussed hereinafter.

2.611 Constitution of a Range

93. It has been stated earlier that a Range will require one Superintendent and two Inspectors. Also it has been stated that a Range may comprise on an average 700 assesseees, which are likely to yield mean revenue between Rs 100 to 125 crore, though there would be a few Ranges where the revenue will be far in excess due to a few assesseees paying extremely high revenue.

94. A Range in Service Tax in major cities will need to be organized on the basis of a bouquet of services to reap the benefits of specialization

2.612 Constitution of a Division

95. As already said, in terms of proper span of control a Division may comprise five Ranges. Thus a Division should ideally have a total of $5 \times 700 = 3500$ assessees or about Rs 500 cr of revenue on an average, though here again the range will be fairly wide both in terms of number of assesses as well as revenue.

96. The Divisional headquarters has additional work like survey and inspections, sanction of refunds, adjudication, issue of demands, revenue management and statistics, correspondence with other formations and the assesseees, client interface, grievance redressal, meetings etc. This requires additionally at least three superintendents, with two inspectors each, to handle the functions as follows:

- i. Survey & inspections and statistics & revenue management,
- ii. Technical matters, Audit, issue of demands, grievance redressal,
- iii. Refunds and rebates including assistance in adjudications.

97. Thus a Division will need the following executive staff, including the Range staff:

Area	No of Supdts.	No of Inspectors
Range	5	10
Divl HQ	3	6
Total	8	16

98. In addition the Division will also require ministerial staff, which has, however, been discussed under the overall requirements of a Commissionerate.

99. The new Divisions will need to be carved out of the existing very large Divisions, possibly by merging some of the existing Ranges. Thus they could be organized based on a bouquet of services in these two cities to build specialization and without disturbing the existing pattern of tax collections.

2.613 Constitution of a Commissionerate

100. Likewise at the level of Commissioner, the span may comprise five Divisions on the same lines as in Central Excise. This means that a Commissionerate should comprise $5 \times 3500 = 17,500$ assesseees on an average and will be responsible for collecting about Rs 2500 to 3500 cr of cash revenue.

101. In terms of the respective criterion specified earlier, the staff requirements for scrutiny, audit and anti-evasion functions for 17,500 assesseees will be as follows:

Area	Criterion	No of Supdts	No of Inspectors
Division	As indicated earlier	5X8=40	5X16=80
Audit	1 Party per 700 assessees	50	25
	=25 Parties		
Anti-evasion	1 Party per 3500 assessees	5	10
	= 5 Parties		
Total		95	115

102. In addition staff requirement to manage various sections will be as follows:

Activity	Description	No of Supdts.	No of Inspectors
Technical	Examination of all technical matters, clarifications to trade, trade facilitation, RAC/PGC meetings, processing grant of centralized registrations	3	3
Statistics	Collection/ collation of Statistics and submission of report and returns	1	1
Review & legal	Processing orders of various adjudicating/ and appellate authorities like Commr(appeal), CESTAT, HC for filing appeal at higher level	2	2
Audit backoffice	Planning audit schedule, coordinating AMC meetings and follow up work, replies to CAG paras and all misc matters relating to audit	2	2
Adjudication	Assistance in fixing PH for adjudications at different levels, follow-up work, preparing brief facts of the case and post adjudication formalities	2	2
Vigilance	Processing IPRs, processing of intimations under Conduct Rules, complaints against officers	1	1
HQ Admn.	Vehicle management, general upkeep, Misc tasks	1	1
Total		12	12

103. Thus a Commissionerate of Service Tax will comprise 107 Superintendents and 127 inspectors at all levels.

104. The number of DCs/ACs required will be as follows:

Area	No of DCs/ACS
Divisions	5
Audit & Technical	2
AE, Legal & Review, HQ Admn	1
Total	8

105. As the number of assesseees per Commissionerate in Service Tax is more than 10 times that of Central Excise, and will thus require much higher contribution at ADC/JC levels, both in terms of supervisory responsibilities as well as work relating to adjudications, it is necessary to provide three Additional/ Joint Commissioners per Commissionerate.

106. In addition to executive cadres, there is staff for administration section, which is fairly standardized both for the Divisional office as well as the Commissionerate headquarter office. Though the executive staff requirement is marginally more than the requirements in Central Excise, it is felt that the requirements for ministerial and other support staff can be same as in Central Excise. These would need to be looked at holistically keeping in view a variety of factors, e.g., recommendations by other Study Groups, promotional avenues of these cadres, outsourcing policies and requirement of matching savings.

107. Thus the total staff required for a Commissionerate will be as follows:

Rank	No of officers Required
Commissioner	1
ADC/JC	3
DC/AC	8
Superintendent	107
Inspectors	127
CAO	1
PS	1
AO	7
DOS	16
STA	24
TA	35
Steno	8
Driver	10
Hav/Sepoy	74
Total	422

108. It is, however, strongly recommended that many of non-core areas could be outsourced, for which separate financial sanction should then be provided by taking a view on a holistic basis.

109. Thus Delhi and Mumbai Service Tax Commissionerates can be reorganized as follows:

Formation	Effective Assessee base as on Jan 1, '09	Projected assessee base on Mar 31, '10	Revenue 2008-09 Rs cr	Projected revenue 2009-10 Rs cr	No of Commrs. proposed	Assessee Per Commr.	Revenue per Commr during 2009-10 Rs cr
Delhi	64,000	70,000	9,800	11,000	4	17,500	2,750
Mumbai	1,07,000	1,25,000	20,205	22,000	7	17,850	3,142
Total	1,71,000	1,95,000	30,005	33,000	11	17,725	3,000

110. The precise jurisdictions of these Commissionerates will need to be worked out on geographical basis, but only at the time of implementation of the cadre review as the assessee profile is likely to change significantly and moreover with the implementation of ACES and EASIEST, the two automation projects, the precise data will be available at the existing Range levels, which for the moment is not available.

2.62 Region B

111. These regions have Commissionerates with assessees in the range of 25,000 to 30,000. Thus they are too large to have 1 Commissionerate but a little small for having 2 full-fledged Commissionerates. Thus it is recommended that a Commissionerate in category B cities may be constituted more or less on the same basis as in the case of Region A, except as regards the following:

a. The number of assessees may be restricted to 12,000-14,000 assessees, with 4 Divisions, each with 5 Ranges. The number of Divisions could be higher only if there are still more assessees available in a region. Thus a city with 24,000 to 28,000 assessees may have 2 Commissionerates of 4 Divisions each while the one with 31000 assessees may have 1 Commissionerate with 4 Divisions and 1 one with 5 Divisions.

b. The requirements for audit and anti-evasion may be worked out proportionate to the number of assessees and suitably rounded off

112. In addition to the existing four Commissionerates in this category it is noticed that the profile of Service Tax assessees is more or less same at Hyderabad and Pune also. These two locations can thus also be studied together with the other four existing Commissionerates.

113. Based on these norms the requirements for the six locations are as follows:

Formation	Approx Effective Assessee base as on Mar, '09	Projected assessee base on Mar 31, '10	Revenue 2008-09 Rs cr	Projected revenue 2009-10 Rs cr	No of Commrs proposed	No of assessees per Commr
Ahmedabad	12,693	14,000	1,000	1,100	1	14,000
Bangalore	26,000	28,000	3,432	3,600	2	14,000
Chennai	25,000	27,000	3,363	3,500	2	13,500
Kolkatta	22,500	25,000	2,438	2,600	2	12,500
Pune I & III	14,500	15,500	1700	1,900	1	15,500
Hyderabad	13,000	14,500	2000	2,200	1	14,500
Total	113,693	124,000	13,933		9	13,777

114. All the Commissionerates in Region B will thus have 4 Divisions each with five Ranges each. Likewise they will have 4 anti-evasion parties each. Though there are some differences in the number of assessees across different Commissionerates it will be practicable if the number of audit parties are standardized for 14,000 assessees per Commissionerate at 20 parties. The other compliment of staff can also be slightly reduced proportionately. Thus the total staff will be as follows:

Rank	No of officers Required
Commissioner	1
ADC/JC	3
DC/AC	7
Superintendent	88
Inspectors	104
CAO	1
PS	1
AO	6
DOS	14
STA	20
TA	30
Steno	7
Driver	9
Hav/Sepoy	65
Total	356

115. Here again the precise jurisdiction of the new Commissionerates will need to be worked out on geographical basis. The jurisdiction of Hyderabad will cover the territorial jurisdiction of all the Hyderabad Commissionerates of Central Excise barring mofussil divisions at Nizamabad of Hyderabad-I, Nalgonda and Warangal Divisions of Hyderabad-III. As regards Pune, the jurisdiction will cover the existing jurisdictions of Pune-I and Pune-III Commissionerates except Sholapur Division.

2.63 Region C

116. These regions offer substantial revenue but not in the same range as the Commissionerates in Region A or B. At the same time it is not advisable to keep them as combined Central Excise and Service Tax Commissionerates for the following reasons:

- a. The total assessee base as well as the Service Tax revenue is far more than the Central Excise
- b. Service Tax is a highly specialized subject, with a number of complex issues requiring dedicated attention. Creation of separate Commissionerates will help in providing concentrated attention to the subject
- c. Service Tax is being implemented with a much higher level of facilitation. Combining it with Central Excise will expose the assesseees to the attitudes of Central Excise

117. Thus the formations in the Region C could be organized keeping in view the principles largely followed at the time of creation of six exclusive Commissionerates in 2004, suitably adjusted for certain obvious considerations. At the time of creation of the six Commissionerates the criterion was a new Commissionerate for every Rs 250 cr of revenue. The tax rate during 2003-04, which formed the basis for the creation of exclusive Commissionerates, was 8%. The tax rate during 2008-09 was largely 12% (10% for the month of March 2009). Thus the revenue consideration could be scaled up to Rs 500 cr of cash revenue. On the assessee front it seems that revenue of Rs 500 cr will originate from about 6000 to 7500 assesseees. Moreover these Commissionerates need not be carved out of a single Commissionerate. The criterion could be the creation of a new Commissionerate wherever it is found that such assessee base and consequent revenue is available within a radius of about 50 KM. These Commissionerates have been identified on these criteria as follows:

Formation	Jurisdiction	Approx Effective Assessee base as on Mar, '09	Projected assessee base on Mar 31, '10	Revenue 2008-09 Rs cr	Projected revenue 2009-10 Rs cr
Noida	Noida and Ghaziabad CX	9,221	10,500	765	825
Jaipur	Jaipur I CX	10,929	11,500	647	700
Rajkot	Rajkot CX	7,050	8,000	703	800
Total		27,200	30,000	2,115	2,325

118. Each of these Commissionerates can have 4 Divisions, with 4 Ranges each. Each Range will have between 400 to 500 assesseees and a Division about 1600 to 2000 assesseees. While each Range may have 1 superintendent and 2 inspectors, the staff at the Divisional headquarters can be reduced to 2 superintendents and 4 inspectors. Likewise the staff in anti-evasion can be reduced to 3 parties each and for audit 10 parties. Similarly the executive staff requirement at the Commissionerate HQ can be reduced to 8 officers each. The other requirements for ministerial staff will also stand suitably modified and the total requirements of staff for each these Commissionerates will be as follows:

Rank	No of officers Required
Commissioner	1
ADC/JC	3
DC/AC	6
Superintendents	55
Inspectors	72
CAO	1
PS	1
AO	5
DOS	10
STA	12
TA	16
Steno	6
Driver	7
Hav/Sepoy	40
Total	235

2.64 Total for all Regions

119. Thus it is proposed to constitute a total of 23 exclusive Service Tax Commissionerates or a total of 17 new Commissionerates. The new Commissionerates will cover nearly 75% of the total Service Tax revenue and 55% of the assessee base.

120. The total requirements for the 23 Commissionerates will be as follows:

Rank	Region A 11 Commr'ts	Region B 9 Commr'ts	Region C 3 Commr'ts	Total
Commissr	11	9	3	23
ADC/JC	33	27	9	69
DC/AC	88	63	18	169
Supdts	1,177	792	165	2,134
Insprs	1397	936	216	2,549
CAO	11	9	3	23
PS	11	9	3	23
AO	77	54	15	146
DOS	176	126	30	332
STA	264	180	36	480
TA	385	270	48	703
Steno	88	63	18	169
Driver	110	81	21	212
Hav/Sepoy	814	585	120	1,519
Total	4642	3204	705	8,551

121. It is not the mandate of this Study Group to recommend how the combined Central Excise and Service Tax Commissionerates should be organized. But in view of the study done and in order to maintain some kind of symmetry the following suggestions are offered:

- a. To the extent possible exclusive Service Tax Divisions can be proposed wherever the criteria of more than Rs 150 cr of revenue and / or assessee base of about 1500 is available
- b. Additional staff may be made available at the Divisional and Commissionerate HQ levels to meet the increased need of work due to Service Tax in different areas like audit, anti-evasion and all the other miscellaneous sections on a proportionate basis.

2.7 Manpower Requirements-Appellate Functions

122. All adjudication orders passed at the levels junior to the Commissioner can be appealed, either by the Department or the party, before the Commissioner (Appeal). This is a part of the necessary process to provide justice at both ends.

123. Service Tax is today perhaps the most litigated tax and much of the case law will take a long time to stabilize. There are close to 60,000 cases pending for adjudication in different zones involving an amount more than 11,400 cr.

124. It will be an excellent value for money if these cases are quickly decided at the appellate level. It is thus proposed to provide exclusive Commissioners for appeals at important centres, primarily on the basis of 1 Commissioner (appeal) for every two executive Commissioners and also 1 appellate Commissioner at a few other centres, which have large pendency. These appellate Commissioners could be positioned at the busiest of the places but may handle service tax cases of the whole zone i.e. including service tax cases of the combined Commissionerates. Thus Commissioners (Appeal) are proposed as follows:

Zone/Location	No of cases pending for adjudication	Amt. involved Rs Cr	No of Executive Comms. proposed	No of Commr (Appeal) Reqd.
Ahmedabad	1860	307	1	1
Bangalore*	297	1163	2	1
Chennai	695	527	2	1
Delhi	21,079*	1432	4	2
Kolkatta	666	295	2	1
Mumbai	17,738*	2199	7	3
Pune	973	332	1	1
Hyderabad @	101	267	1	1
Jaipur	3651	265	1	1
Noida (Meerut Zone)	659	60	1	1
Indore (Bhopal Zone)	1,448	510	1	1
Total	49,167	7,357	23	14

* Qualitative study of the cases made shows that many of these cases are unlikely to go to appeal

@ will also handle Central Excise cases

125. The staff requirements for each Commissioner (appeal), which could, however, be standardized for all formations as follows:

Rank	No Required
Commissioner(Appeal)	1
PS	1
Superintendents	2
Inspectors	2
STA	2
Driver	1
Hav/Sepoy	2
Total	11

126. Thus the total requirements for staff at various levels for appellate work will be as follows:

Rank	No Required per Commr (appeal)	Total required
Commissioner(Appeal)	1	14
PS	1	14
Superintendents	2	28
Inspectors	2	28
STA	2	28
Driver	1	14
Hav/Sepoy	2	28
Total	11	154

2.8 Manpower Requirements-Chief Commissioners

127. It is clear that the challenge on account of administration of Service Tax is immense and more or less on the same scale as Central Excise. With the creation of exclusive Service Tax Commissionerates, there is twofold need at the level of Chief Commissioner as well its office:

- a. Creation of exclusive Chief Commissioner of Service Tax
- b. Additional staff requirement even where it is not possible to have an exclusive Chief Commissioner for Service Tax.

128. There is clearly a need for two exclusive Chief Commissioners at Mumbai to supervise seven executive Commissioners of service Tax and four Commissioners (appeals) and one Chief Commissioner at Delhi to supervise four executive Commissioners and One Commissioner (Appeals).

129. In respect of other formations it will be desirable to consider Chief Commissioners in combination with Central Excise, which can be examined while consolidating the proposal. Additional staff will be required to support the CC office in different areas like review & legal, P&V, inspections,

technical, CBEC references, trade facilitation, complaints and vigilance. The total requirement of staff will be as follows:

Rank	No. Required per office	Total required
CC	1	3
ADC/JC	2	6
DC/AC	2	6
Supdts.	4	12
Inspectors	4	12
PS	1	3
Steno	2	6
TA	3	9
Driver	3	9
Hav/Sepoy	6	18

2.9 Total requirements

130. The summary of the entire staff requirement is as follows:

Rank	Executive Commr	Commr (appeal)	CC Office	Total
Chief Commr	0	-	3	3
Commr	23	14	-	37
ADC/JC	69	-	6	75
DC/AC	169	-	6	175
Supdts	2,134	28	12	2,174
Insprs	2,569	28	12	2,609
CAO	23	-	-	23
PS	23	14	3	40
AO	146	-	-	146
DOS	332	-	-	332
STA	480	28	-	508
TA	703	-	9	712
Steno	169	-	6	175
Driver	212	14	9	235
Hav/Sepoy	1,519	28	18	1,565
Total	8,551	154	84	8,789

131. The staff availability as of today for Service Tax is woefully inadequate. A total of 2094 posts were sanctioned by the cabinet for Service Tax in August, 2007 of which 1455 are meant for the formations which are or are proposed to be made into exclusive formations. The same is given in the Table below

together with the additional requirements in view of the proposed reorganization/restructuring:

Rank	Proposed requirement	Sanction Strength	Net requirement
Chief Commr	3	0	3
Commr	37	6	31
ADC/JC	75	12	63
DC/AC	175	42	133
Supdts	2,174	355	1819
Insprs	2,589	710	1879
CAO	23	0	23
PS	40	6	34
AO	146	12	134
DOS	332	6	326
STA	508	12	496
TA	712	6	706
Steno	175	60	115
Driver	235	18	217
Hav/Sepoy	1,565	210	1355
Total	8,789	1,435	7,354

2.10 Revenue-based Criterion

132. The revenue growth presupposes that manpower requirements will grow proportionate to the growth in revenue. As already stated this model has many shortcomings. However it can be a useful tool to validate conclusions reached on a more scientific but complex process already explained.

133. However before this model is applied some adjustments will be necessary:

- Neutralize the effect of inflation and change in duty rate over the years
- Make due concession for any new measures that have an effect on manpower requirements

134. At the time of the last cadre review a new Commissionerates was set up if the revenue exceeded Rs 250 cr. The revenue at that time was being collected at a tax rate of 8%. The revenue during the FY 2010-11 is projected to be Rs 65,000 cr @ 10%. Adjusted for duty rate and the inflation, the criterion of revenue at the time of creation of previous Commissionerates will come to not more than Rs 400 Cr at present. Even if the revenue of the Commissionerate in 2004-05 is taken as the criterion, which was collected largely at a rate of 10% and suitably adjusted for duty rate differences, and ignoring the smallest Commissionerate of Ahmedabad,

it seems that a new Commissionerate was justified for every Rs 1000 cr of revenue.

135. Taking that nearly 80% of the revenue during the FY 2009-10 will come from the proposed exclusive Commissionerates, it is clear that a total Rs 52,000 cr is likely to come from these exclusive Commissionerates, which justifies creation of 52 Commissionerates. However only a total of 23 exclusive Commissionerates are being proposed with most new Commissionerates likely to collect revenue exceeding Rs 1500 cr. In addition to cash revenue it is estimated that nearly 1/3rd of the revenue will also come from Cenvat. Thus practically all new Commissionerates in Regions A and B will give minimum total revenue of Rs 2,000 cr, nearly the same as has been proposed by Study Group II for combined Commissionerates. In respect of new Commissionerates in Region C, though the revenue at present appears to be a little less but they will act as incubators for a year or so before they catch up in view of the massive growth in service sector, as already mentioned in the beginning as also expansion of the tax net and improved compliance to which attention could not be given due to severe staff shortage.

136. These comparisons have been made without taking cognizance of a number of complexities that have come into the Service Tax, in particular massive sanction of refunds and rebates on goods and services exported and Cenvat verification that hardly existed at the time when the new Commissionerates were created. There are also challenges of managing cross border movement of services, which have to be handled with critical care in view of the sensitive nature of foreign investment.

2.11 Validation of data with Central Excise

137. Though the comparisons between any two taxes and consequently the manpower requirements have its own shortcomings but in the case of Service Tax such comparison can be done for the following reasons:

- a. Both are indirect taxes and are expected to be shortly subsumed into GST
- b. Both are being administered by the same Department with the same set of officers
- c. Service Tax is a new tax and to that extent sufficient data is not available. Comparison with an akin tax will help in reinforcing conclusions reached independently

138. Before comparisons are made it is essential to suitably adjust the data for the following:

- a. Tax rate: Central Excise was being collected till Feb, 2008 @ 16% and thereafter @ 14% till Nov 2008 and @ 10% till Feb 2009 and since March, 2008 @ 8% where as the Service Tax was being collected @ 12% until Feb 2009 and now at 10%. However on a quick calculation it is clear that the weighted average tax rate during 2008-09 for both

Central Excise and Service Tax are more or less same at about 11.75%. Thus the data for 2008-09 forms a good basis for such comparison.

b. Nearly half the revenue in Central Excise comes from oil sector, commonly referred to as POL (short for petroleum, oil and lubricants), of which again a very large chunk from PSUs and thus does not pose the challenge commensurate with the revenue

139. Thus if comparisons are made after taking into consideration these factors the picture emerges as follows:

Description	Central Excise	Service Tax
Revenue 08-09	1,08,100	60,716
Non-POL Revenue 08-09	62,708	60,716
Approx Manpower	42,000	4000*
Manpower per Rs 1000 cr	669	66

*Including diverted staff from CX

140. Even after the cadre reorganization the ratio will remain extremely favorable for Service tax.

2.12 General

141. There are some others aspects relating to cadre reorganization in Service Tax that do not fall within the perview of this Study Group, but need a mention so that they are suitably considered at the appropriate stage while consolidating the proposal. These are as follows

- a. Service Tax needs massive support, guidance and monitoring at the CBEC level and an appropriate set-up should be created to meet this requirements
- b. On the lines of DGRI and DGCEI a suitable Directorate General needs to be created with field units in important regions to meet a variety of needs in the area of enforcement
- c. Being a new tax, Service Tax has been and is likely to continue in massive litigation. Appropriate strengthening will need to be done by additional benches in CESTAT and by increased staff in CDRs office.
- d. The role DGICE will need redefining as to whether they should conduct the work of inspections of Service Tax formations or else it should be looked after by DGST. There are clear advantages in giving this role to

- e. DGICE, keeping DGST as the think tank for all other aspects relating to ST. necessary staff will need to be sanctioned accordingly.
- f. The report has been prepared without taking into consideration leave and training reserves. These can be suitably added at the final stage.

Exclusive Central Excise Commissionerates

Chapter 3

Exclusive Central Excise Commissionerates

142. At present, total number of Central Excise Commissionerates in the country is 93. Of these, 28 Commissionerates are exclusive Central Excise Commissionerates and 65 Commissionerates are integrated Commissionerates collecting duties of Central Excise as well as Service Tax and Customs. All India Central Excise duty collection (PLA + Cenvat) during the year 2007-08 was Rs. 213468 crore. Of this, share of 65 integrated Commissionerates was Rs. 142858 crore, whereas collection by 28 exclusive Central Excise Commissionerates was Rs. 70610 crore, i.e., 66.92% of Central Excise duty was collected by the integrated Central Excise Commissionerates and the balance 33.08% by the exclusive CX Commissionerates. The Ministry has assigned study in regard to the restructuring and reorganization of the integrated Central Excise and Service Tax Commissionerates to Study Group – II, who have already submitted report covering field formations from where major chunk of the Central Excise revenue is deposited to the exchequer. The report of Study Group - II very lucidly and comprehensively states the significant milestones in the working of the department over the years, steps taken from time to time to improve tax administration system by fine tuning of the laws and procedures, existing system of assessments and monitoring and control on Central Excise collections, contribution of the union indirect taxes to the exchequer, and the objective as well as the necessity for reorganization and restructuring the formations for indirect tax administration in the country. For the sake of brevity and to avoid repetition, the aforementioned factors are not re-stated here. We are in broad agreement with the suggestions given therein, more particularly the following specific recommendations: -

(i) Creation of post of Principal Chief Commissioner, for better control on the working of the field formations under the Central Board of Excise & Customs, and reporting to the said Board.

(ii) Re-designation of Superintendent of Central Excise, who have put in 25 years of service and have drawn second financial up-gradation and placed in a scale equivalent to that of an Assistant Commissioner, as Deputy Assistant Commissioner, and assigning them higher responsibilities.

3.1 Criteria for Restructuring

143. Central Excise Ranges, Divisions and Commissionerates are the basic field units of the Central Board of Excise & Customs for administration of the Central Excise laws. Overall, a Zonal Chief Commissioner exercises control on their functioning at the field level.

144. For restructuring of the field formations at these levels, there can be two criteria to decide the basis of restructuring, namely,

- (i) On the basis of revenue collection, and/or
- (ii) On the basis of number of units in each formation.

145. Any restructuring based only on revenue collection by a particular formation would not be scientific and proper because of varying size, revenue payment potential, and product profile of different duty paying units. For instance, there may be cases where –

(a) One unit in a particular Range is paying higher revenue than total revenue of a particular Commissionerate from the remaining formations.

(b) Some major revenue-paying unit is currently situated in the jurisdiction of one Range and on the basis of revenue collection criteria alone, a full fledged Commissionerate may be justified for that jurisdiction alone.

(c) In some cases, there may not be substantial revenue collection from a particular Range/Division office, but many assesseees in some far flung areas may be required to be catered to by those field formations.

(d) Though collection of revenue may not be very substantial, the formation may be catering to many small and big exporters and attending to the work of export supervision.

146. Number of documents that are being handled in a formation is certainly based on the number of units under that formation. Besides, it is very likely that small assesseees may need more guidance/assistance from departmental officer compared to major revenue paying assesseees. Therefore, for deciding the organizational structure of the field formations for Central Excise tax administration in the country, it is appropriate to factor in and duly consider both aspects, i.e., revenue collection as well as workload in terms of number of units per Commissionerate, Division and Range.

147. Central Excise duties are paid by a tax payer by debit in Cenvat credit account as well as the Personal Ledger Account (PLA), in which the taxpayer deposits money in cash from time to time. Cenvat credit may accrue to a Central Excise duty payer manufacturer on account of inputs used in the manufacturing of the goods within the factory of production, input service used by the manufacturer directly or indirectly in or in relation to the manufacture of the final products and clearance thereof upto the place of removal, and the capital goods used in the manufacture of the final products. Once the credit is earned by a manufacturer in accordance with the Cenvat Credit Rules, 2004, the manufacturer is free to utilize the same for discharge of Central Excise duty liability on the final products manufactured and removed by him, and it is entirely left to the discretion of the tax payer as to how much of the Central Excise duty liability is discharged by debiting the Cenvat credit account and/or the Personal Ledger Account. Therefore, total duty payment is the precise and correct indicator of the complexity and volume of work, irrespective of whether the payment is by debit in the PLA or the Cenvat credit account or in part from both. As such, payments through

Personal Ledger account as well as Cenvat credit account should both be taken into consideration while applying the revenue collection yardstick.

148. Refunds of duties also become due to the taxpayers for various reasons, in terms of the Central Excise law. Similarly, rebates of duties paid on excisable goods or duties paid on materials used in the manufacture or processing of such goods may be granted, where such goods are exported. Though the revenue accrued to the exchequer is net of such refunds and rebates of duties of Central Excise, the fact is that refund and rebate claims too generate additional work at the Range, Divisional as well as Commissionerate level, viz.,

- (i) Range – for verification of the claims
- (ii) Division – for sanction of the claim and corresponding disbursements
- (iii) Commissionerate – for review/ appeal, etc., in the matter of refund and rebate sanctions and disbursements.

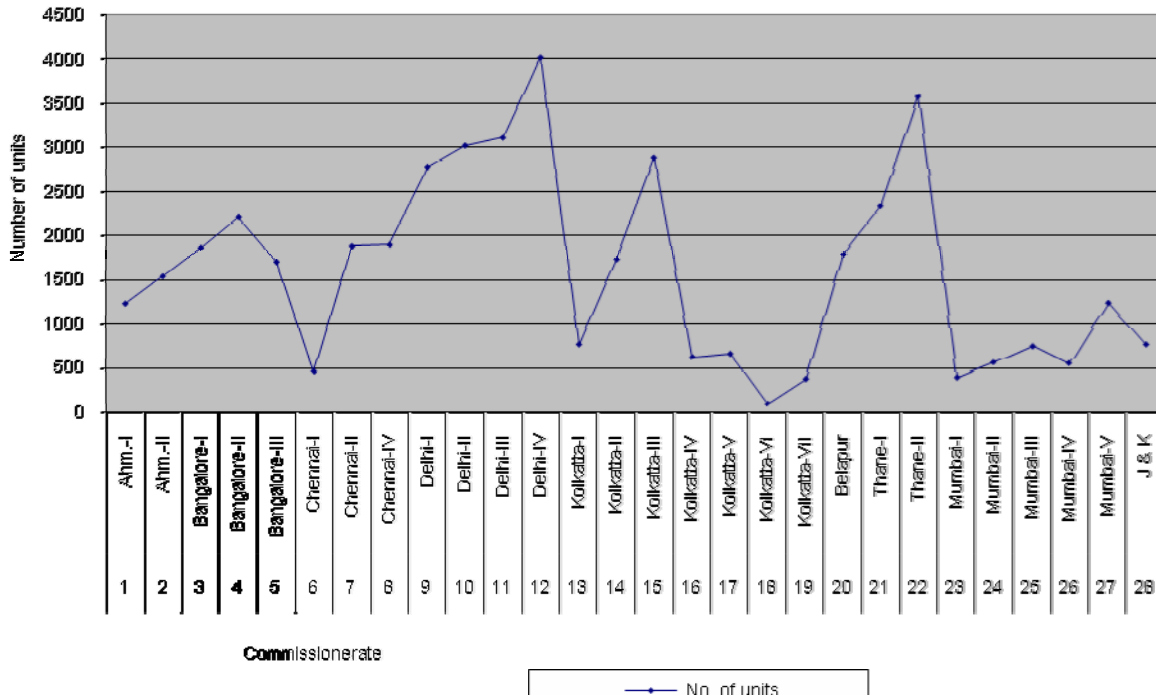
149. Accordingly, the Group is of the view that Central Excise duties cumulatively paid through PLA and Cenvat credit accounts - irrespective of sums paid out on account of refunds and rebates of duties - is the most appropriate indicator of the volume of work required to be attended to by the officers at the 3 tiers of the field formations.

150. Out of the existing 93 Commissionerates, 28 are exclusive Central Excise Commissionerates. Their assessee profile is as follows: -

Sr. No.	Name of the Zone	Name of the Comm.	No. of units (2008-09)
1	Ahmedabad	Ahmedabad-I	1228
2	-do-	Ahmedabad-II	1538
3	Bangalore	Bangalore-I	1859
4	-do-	Bangalore-II	2208
5	-do-	Bangalore-III	1698
6	Chennai	Chennai-I	457
7	-do-	Chennai-II	1878
8	-do-	Chennai-IV	1895
9	Delhi	Delhi-I	2773
10	-do-	Delhi-II	3022
11	-do-	Delhi-III	3114
12	-do-	Delhi-IV	4022
13	Chandigarh	J & K	768
14	Kolkata	Kolkatta-I	768
15	-do-	Kolkatta-II	1729
16	-do-	Kolkatta-III	2881
17	-do-	Kolkatta-IV	624
18	-do-	Kolkatta-V	662
19	-do-	Kolkatta-VI	96
20	-do-	Kolkatta-VII	374
21	Mumbai-I	Mumbai-I	390
22	-do-	Mumbai-IV	550
23	-do-	Mumbai-V	1236
24	-do-	Thane-I	2334
25	-do-	Thane-II	3581
26	Mumbai-II	Mumbai-II	559
27	-do-	Mumbai-III	747
28	-do-	Belapur	1786
TOTAL			44777

Source: Directorate of Data Management, C & CE.

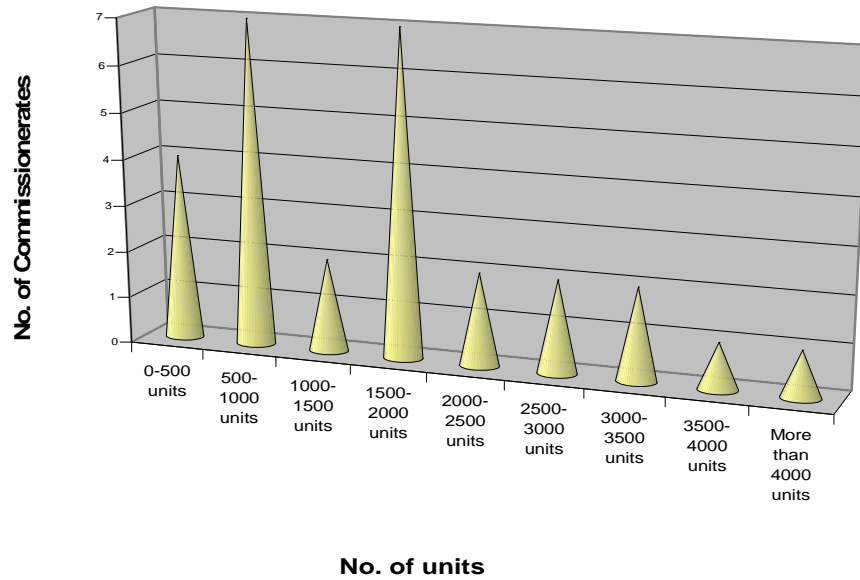
Comparative Profile of Commissionerates



151. Analysis of the data of the existing 28 exclusive Central Excise Commissionerates indicates the following assessee profile in the Commissionerates: -

Number of units	Number of Commissionerate
0-500 units	4
500-1000 units	7
1000-1500 units	2
1500-2000 units	7
2000-2500 units	2
2500-3000 units	2
3000-3500 units	2
3500-4000 units	1
More than 4000 units	1
Total	28

Assessee profile of Exclusive CX Commissionerates



152. It can be seen from the above data that 13 Commissionerates are having control over less than 1500 units each and 15 Commissionerates exercise control over more than 1500 units each. On an average, there are around 1500 units per Commissionerate though the number varies from 96 units in Kolkata-VI Commissionerate to 4022 units in Delhi - IV Commissionerate. Looking to such a large variation, it is necessary to have a balanced restructuring of the existing formations. In order to remove this anomaly, if the number of units in top 3 Commissionerates and bottom 3 Commissionerates are deducted from the above data, the total number of units will be 33200 in the remaining 22 Commissionerates and the average number of units per Commissionerate would be 1509. Therefore, 1500 units per Commissionerate is the average existing norm, which also appears to be a reasonable criterion for the purpose of restructuring/creation of exclusive Central Excise Commissionerates.

153. The Central Excise revenue collection by the existing 28 exclusive Central Excise Commissionerates during the year 2008-09, is as under:

(Rs. Crore)

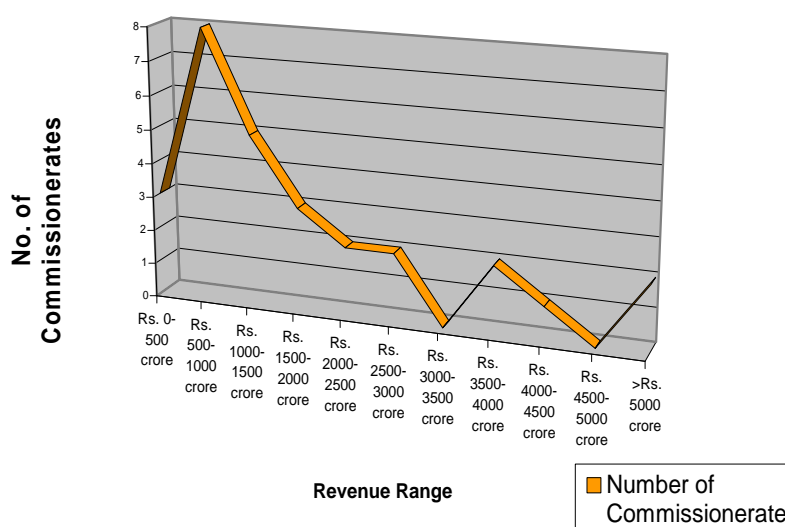
Sr. No.	Commissionerate	PLA	CENVAT	TOTAL
1	AHMEDABAD-I	169.94	604.80	774.74
2	AHMEDABAD-II	601.16	1,244.19	1,845.35
3	BANGALORE-I	534.27	1,482.76	2,017.03
4	BANGALORE-II	2,763.79	1,126.54	3,890.33
5	BANGALORE-III	313.16	825.71	1,138.87
6	CHENNAI-I	175.44	705.66	881.10
7	CHENNAI-II	384.14	1,460.51	1,844.65
8	CHENNAI-IV	373.63	2,593.32	2,966.95
9	DELHI-I	460.14	649.91	1,110.05
10	DELHI-II	515.88	581.72	1,097.60
11	DELHI-III	1,252.90	8,012.98	9,265.88
12	DELHI-IV	490.85	2,441.07	2,931.92
13	KOLKATA-I	42.77	68.77	111.54
14	KOLKATA-II	128.86	537.45	666.31
15	KOLKATA-III	297.91	666.37	964.28
16	KOLKATA-IV	162.92	655.23	818.15
17	KOLKATA-V	137.08	264.00	401.08
18	KOLKATA-VI	1,040.75	389.71	1,430.46
19	KOLKATA-VII	98.19	233.67	331.86
20	MUMBAI-I	4,020.89	439.39	4,460.28
21	MUMBAI-II	8,943.40	727.15	9,670.55
22	MUMBAI-III	234.30	554.85	789.15
23	MUMBAI-IV	442.82	143.40	586.22
24	MUMBAI-V	215.10	468.62	683.72
25	BELAPUR	525.48	3,101.56	3,627.04
26	THANE-I	262.92	1,872.54	2,135.46
27	THANE-II	342.97	1,589.39	1,932.36
28	Jammu & Kashmir	662.24	684.02	1,346.26
	Total	25,593.90	34,125.29	59,719.19

Source: MRR report by the Directorate of Data Management, C & CE

154. Based on the above statistical data, number of Commissionerates in different ranges of Central Excise revenue collections is as under:

Gross Revenue collected	Number of Commissionerate
Rs. 0-500 crore	3
Rs. 500-1000 crore	8
Rs. 1000-1500 crore	5
Rs. 1500-2000 crore	3
Rs. 2000-2500 crore	2
Rs. 2500-3000 crore	2
Rs. 3000-3500 crore	0
Rs. 3500-4000 crore	2
Rs. 4000-4500 crore	1
Rs. 4500-5000 crore	0
More than Rs. 5000 crore	2
Total	28

Exclusive CX Commissionerates in Different Revenue Ranges



155. The above data indicates that in 19 exclusive Central Excise Commissionerate, Central Excise revenue collection is less than Rs. 2000 crore each, whereas, in 9 Commissionerates, the revenue collection is more than Rs. 2000 crore each. It is noteworthy that 2 of the aforesaid 28 Commissionerates, viz., Mumbai – I and Mumbai – II, have Central Excise revenue collection from POL (Petroleum, Oils and Lubricants). Similarly, in some Commissionerates, a single unit may be contributing a major chunk to

the revenue kitty of the Commissionerate. For instance, in Bangalore – II, M/s. ITC Ltd. contributed Rs. 2378 crore, out of total PLA revenue of Rs. 2763 crore in the year 2008-09. These factors have to be duly taken note of, to decide the revenue norms for a Commissionerate.

156. Average revenue collection per Commissionerate from the remaining 25 Commissionerates exclusive of Mumbai-I, Mumbai- II and Bangalore – II is Rs. 1668 crore. Alternatively, if revenue from top 3 Commissionerates and bottom 3 Commissionerates (out of the existing 28 exclusive Commissionerates) is deducted, the total revenue collection from 22 Commissionerates would be Rs. 35478 crore, which means average revenue collection per Commissionerate at Rs. 1612 crore.

157. The above analysis shows that revenue accrual in the range of Rs. 1500 crore to Rs. 2000 crore in cash and Cenvat credit taken together is the existing average norm per Commissionerate. Accordingly, looking to the available data and rate of increase in revenue collection, it is suggested that average revenue collection per Commissionerate through the Personal Ledger account and the Cenvat credit account, should be in the range of Rs. 1500 crore to Rs. 2000 crore.

158. In view thereof, the twin criteria of 1500 assesseees and gross revenue of Rs. 1500 crore to Rs. 2000 crore is adopted by the Group for the purpose of recommending restructuring / creation of exclusive Central Excise Commissionerates.

3.2 Compliance and Control on Revenue Collection

159. Based on the above, proposal for restructuring of 28 existing Central Excise Commissionerate is as under:

Sr. No.	Commissionerate	REVENUE (PLA + Cenvat)(Rs. Cr)	No. of units	Suggestion	Remarks
1	AHMEDABAD-I	774.74	1,228	No change	Foot note (1)
2	AHMEDABAD-II	1,845.35	1,538		
	Sub-Total	2,620.09	2,766		
3	BANGALORE-I	2,017.03	1,859	(+) 1	Foot note (2)
4	BANGALORE-II	3,890.33	2,208		
5	BANGALORE-III	1,138.87	1,698		
	Sub-Total	7,046.23	5,765		
6	CHENNAI-I	881.10	457	Reorganization - No change in no. of Comm'tes	Foot note (3)
7	CHENNAI-II	1,844.65	1,878		
8	CHENNAI-IV	2,966.95	1,895		
	Sub-Total	5,692.70	4,230		
9	DELHI-I	1,110.05	2,773	(+) 2	Foot note (4)
10	DELHI-II	1,097.60	3,022		
11	DELHI-III	9,265.88	3,114		
12	DELHI-IV	2,931.92	4,022		
	Sub-Total	14,405.45	12,931		
13	KOLKATA-I	111.54	768	(-) 2.	Foot note (5)
14	KOLKATA-II	666.31	1,729		
15	KOLKATA-III	964.28	2,881		
16	KOLKATA-IV	818.15	624		
17	KOLKATA-V	401.08	662		
18	KOLKATA-VI	1,430.46	96		
19	KOLKATA-VII	331.86	374		
	Sub-Total	4,723.68	7,134		
20	MUMBAI-I	4,460.28	390	(-) 2	Foot note (6)
21	MUMBAI-II	9,670.55	559		
22	MUMBAI-III	789.15	747		
23	MUMBAI-IV	586.22	550		
24	MUMBAI-V	683.72	1,236		
25	BELAPUR	3,627.04	1,786		
26	THANE-I	2,135.46	2,334		
27	THANE-II	1,932.36	3,581		
	Sub-Total	23,884.78	11,183		
28	JAMMU-AND- KASHMIR	1,346.26	768	No change	Foot note (7)
	Total	59,719.19	44,777	(-) 1	
	Average of 28 Commissionerates	2,132.83	1,599		
	Average of 26** Commissionerates	2,296.89	1,722		

**After recommended restructuring

- Note (1): Total units 2766 and total revenue Rs. 2620.09 crore. Revenue of Ahmedabad – I Commissionerate is low but a single Commissionerate cannot handle the workload of 2766 units. Therefore, no change is proposed.
- Note (2): Total units 5765 and total revenue Rs. 7046.23 crore. Therefore, one more Commissionerate is justified from revenue as well as number of units criteria.
- Note (3): Total units 4230 and total revenue Rs. 5692.70 crore. Continuance of 3 Commissionerates justified. However, looking to the comparatively small number of units in Chennai–I, re-organization within the three local Commissionerates is recommended.
- Note (4): Total units 12931 and total revenue Rs. 14405.45 crore. Therefore, looking to the number of units and the Central Excise duty as well as customs duty collection, 2 more Commissionerates are recommended at Gurgaon and Faridabad,.
- Note (5): Total units are 7134 and total revenue is Rs. 4723.68 crore, which justify only 5 Commissionerates. Therefore, reduction of 2 Commissionerates is recommended.
- Note (6): Total units are 11183 and total revenue is Rs. 23884.78 crore. Mumbai – I as well as Mumbai – II have revenue from POL and Crude. Looking to this, reduction of 2 Commissionerates recommended. Thane –I and Thane – II have lgood potential for growth in revenue. Addition of 1 commissionerate in the jurisdiction of Thane – I and II is recommended.
- Note (7) Though number of units and revenue collection is less, no change is proposed because of wide geographical jurisdiction. Apart from Central Excise collections, this Commissionerate also looks after certain functions as per Customs Act, 1962, in the state of J&K.

160. Exclusive Service Tax Commissionerates are proposed by this Study Group at Hyderabad, Jaipur, Rajkot, Pune and Noida - Ghaziabad agglomerate. Therefore, a study has been carried out to see what consequent changes it would entail and also whether this would consequent formation of any exclusive Central Excise Commissionerates in these places. Central Excise assessee and revenue profile (exclusive of service tax and customs duties) of the Commissionerates in these locations is as follows:

Sr. No.	Name of the Zone	Name of the Comm.	PLA	Cenvat	Gross revenue (2007-08)	No of C. Ex. Units 2007-08
1	Hyderabad	Hyderabad-I	808	2162	2969	947
2	-do-	Hyderabad-II	1109	206	1315	205
3	-do-	Hyderabad-III	1002	1256	2257	1485
4	-do-	Hyderabad-IV	398	1259	1657	1387
		Sub Total	3316	4882	8198	4024
5	Jaipur	Jaipur-I	937	3043	3979	1942
6	-do-	Jaipur-II	1589	1420	3008	939
		Sub Total	2526	4462	6988	2881
7	Pune	Pune-I	1788	6701	8489	2318
8	-do-	Pune-III	1398	4135	5533	2402
		Sub Total	3186	10836	14022	4720
9	Meerut	Ghaziabad	938	1897	2835	902
10	-do-	Noida	1050	3782	4832	1517
		Sub Total	1989	5679	7667	2419
11	Ahmedabad	Rajkot	3775	2790	6565	1488
	TOTAL		14792	28650	43441	15532
	Average				3949	1412

Source: Directorate of Data Management, C&CE.

161. Station-wise recommendations are as follows:-

Hyderabad:

162. Presently, Hyderabad Zone has 4 integrated commissionerates. Once the proposed exclusive Service Tax Commissionerate having jurisdiction in R.R. Reddy and Hyderabad districts is created, Hyderabad IV Commissionerate shall be left with only Central Excise work. The Commissionerate meets the suggested criteria for an exclusive Central Excise Commissionerate in terms of revenue as well as number of units.

Jaipur:

163. Both Jaipur – I and Jaipur – II commissionerates are having jurisdiction outside Jaipur city area in the state of Rajasthan. An exclusive Service Tax Commissionerate is proposed at Jaipur for the city of Jaipur and some surrounding areas in its vicinity. Service Tax assesseees located elsewhere in the state of Rajasthan would continue to be with the integrated commissionerates. Therefore, it may not be possible to convert any of these commissionerates into exclusive Central Excise commissionerates. Remaining Central Excise related workload in Jaipur – I and Jaipur – II after carving out of an exclusive Service Tax Commissionerate meets the recommended

criterion for two commissionerates. As such, these two commissionerates may continue to function as two independent integrated Central Excise and Service Tax commissionerates minus the Service Tax related work in Jaipur and its close periphery.

Pune:

164. The position here is similar to the position described above in regard to Jaipur, and hence no exclusive Central Excise Commissionerate is recommended due to creation of exclusive Service Tax Commissionerate at Pune. Pune – I and Pune – II may continue to function as integrated Service Tax and Central Excise Commissionerates.

Ghaziabad - Noida:

165. Ghaziabad as well as Noida Commissionerates are having compact jurisdictions. An exclusive Service Tax Commissionerate is recommended for Ghaziabad - Noida agglomerate by this Study Group. Creation of an exclusive Service Tax Commissionerate at any of the two places will consequent conversion of the 2 existing integrated Central Excise and Service Tax Commissionerates into exclusive Central Excise Commissionerates at Ghaziabad as well as Noida. Total number of units in the two Commissionerates is 2419 and revenue is Rs. 7667.49 crore. Therefore, looking to the number of units and compact geographical jurisdiction, retaining these two Central Excise Commissionerates as exclusive Central Excise Commissionerates is recommended.

Rajkot:

166. Rajkot Commissionerate covers the area of Rajkot, Jamnagar and Kachchh districts of Gujarat. Thus, the jurisdiction is quite wide and far flung. Though an exclusive Service Tax Commissionerate is proposed at Rajkot, no exclusive Central Excise Commissionerate can be carved out due to the proposed Service Tax Commissionerate in view of the fact that a large number of assesseees of Service Tax would still be catered to by the Commissionerate. After carving out of an exclusive Service Tax Commissionerate from it, the Commissionerate meets the recommended criterion of revenue collection and number of units. As such, Rajkot may continue to function as an integrated Commissionerate.

167. Consequent to the above, exclusive CX Commissionerates are recommended at Hyderabad, Ghaziabad and Noida. In addition, out of the existing 28 exclusive Central Excise Commissionerates at Delhi, Mumbai, Kolkata, Chennai, Bangalore, Ahmedabad and Jammu, 5 are proposed for abolition and 3 are proposed for creation. Thus, the final recommendation is for 29 exclusive Central Excise Commissionerates.

3.3 Zone Level Changes

168. Due to the above-recommended changes, it is felt that there may be need to make some changes at Zonal level also. For example, in the case of Delhi, 2 new Commissionerates are proposed, taking the tally of number of exclusive Central Excise Commissionerates in Delhi to 6. This will mean a total of 8 Commissionerates under one Chief Commissioner, the other two being Rohtak and Panchkulla. Supervision of the work of 8 Commissionerates by one Chief Commissioner would be difficult. Therefore, it is suggested that one more post of Chief Commissioner may be created for the formations at Delhi. While one Chief Commissioner may be based at Delhi, the other Chief Commissioner may be based at Gurgaon in Haryana. Chief Commissioner at Delhi may be given responsibility of cadre control work.

169. In the case of Ghaziabad and Noida, collecting Central Excise & Service Tax revenue to the tune of Rs. 8287 crore, a separate Service Tax Commissionerate is being proposed and, looking to the present revenue collection as well as workload and high growth potential, it is proposed that one Chief Commissioner's post may be created for Noida-Ghaziabad agglomerate for control over Central Excise & Service Tax work. Currently, Meerut Chief Commissioner is supervisory authority for both of these Commissionerates. In view of the spread out jurisdiction of the existing Meerut zone (i.e., Western Uttar Pradesh and the state of Uttarakhand), one post of Chief Commissioner for Ghaziabad and Noida Central Excise and proposed Service Tax Commissionerate is fully justified; Chief Commissioner at Meerut may continue to have control over the remaining two integrated Customs, Central Excise and Service Tax Commissionerates at Meerut. Chief Commissioner at Meerut may also be assigned responsibility for the cadre control of the 5 Commissionerates in western Uttar Pradesh and Uttarakhand.

170. In the case of Mumbai, proposal is for reduction in the number of exclusive Central Excise Commissionerates by 2. However, creation of 7 exclusive Service Tax Commissionerates is also recommended at Mumbai. This will entail lot of cadre control and management work. One of the existing Chief Commissioners at Mumbai may also be assigned the cadre control work.

171. Briefly stated, the recommendation at the zonal level is as follows:

Sr. No.	Station	Change proposed	Reason
1	Delhi	+ 1 post of Chief Commr.	Due to proposed addition of 2 Commissionerates/cadre control work
2.	Ghaziabad - Noida	+ 1 post of Chief Commr.	Due to potential for expansion and proposed creation of Service Tax Commissionerate

3.4 Structure of Field Formations

172. The Group is of the considered view that the present three-layered structure of the field formations, viz., Range, Division and Commissionerate HQ, controlled and headed by a Zonal Chief Commissioner has worked very well and no change in regard thereto is recommended.
173. A Central Excise Range is the basic cutting edge level unit in a Commissionerate. The optimum working strength of the Range coupled with the optimum workload it can handle is a significant factor for determining the structure as well as staff requirement in a Commissionerate.
174. In the present era of liberalization, more reliance is placed on the assessee and the practice of assessment has changed significantly from physical control in good old days to self-assessment. The assessment of periodical returns is no more done by the Range office. The assessee is required to submit self-assessed returns to the Range office and Range offices are only to scrutinize them. Further, with the introduction of ACES (Automation of Central Excise and Service Tax), the software itself will handle the work pertaining to preliminary scrutiny of returns and the system will suggest the returns to be taken up for detailed scrutiny. However, apart from scrutiny of returns, many other duties and responsibilities are required to be performed by the Central Excise officers at the Range level. The Board, vide F. No. 224/37/2005-CX-6, dated, 24.12.2008, has specified the duties and functions of the Range officers. Based thereon, an exercise to compute approximate time required on an average for each task has been carried out and is annexed herewith as **Annexure – C**. With the introduction of ACES, the return scrutiny work in Range office is going to be lot more easier because the system will do the preliminary scrutiny of the returns filed by the assessee. This change has been duly factored in while calculating the time required for each function to be attended by Range Offices.
175. Generally, 250 working days per officer are available every year. Thus, as per time line study contained in Annexure - C, number of units per Inspector, for attending to the work at Range office level, should not be more than 25. Therefore, with a staff complement of 2 Inspectors and 1 Superintendent to supervise the work in each Range office, it is suggested that each Range should have control over 50 units. Thus, a typical Central Excise Commissionerate having control over 1500 registered units should have 5 Divisions, with 6 Ranges each. For overall control and supervision of the working of these basic field units for tax administration, a Chief Commissioner at Zonal level may exercise control over 3-5 Commissionerates.

3.5 Staffing Recommendations

176. In a Central Excise Commissionerate, the overall control on revenue collection is exercised and compliance is ensured by means of the following three major tools/areas of work:

- (i) Scrutiny of Returns
- (ii) Audit, and
- (iii) Preventive

3.51 Scrutiny of Returns

177. This item of work is handled by the Range staff. The requirement of staff for carrying out this as well as other functions at Range level is one superintendent and two Inspectors, as discussed above.

3.52 Audit

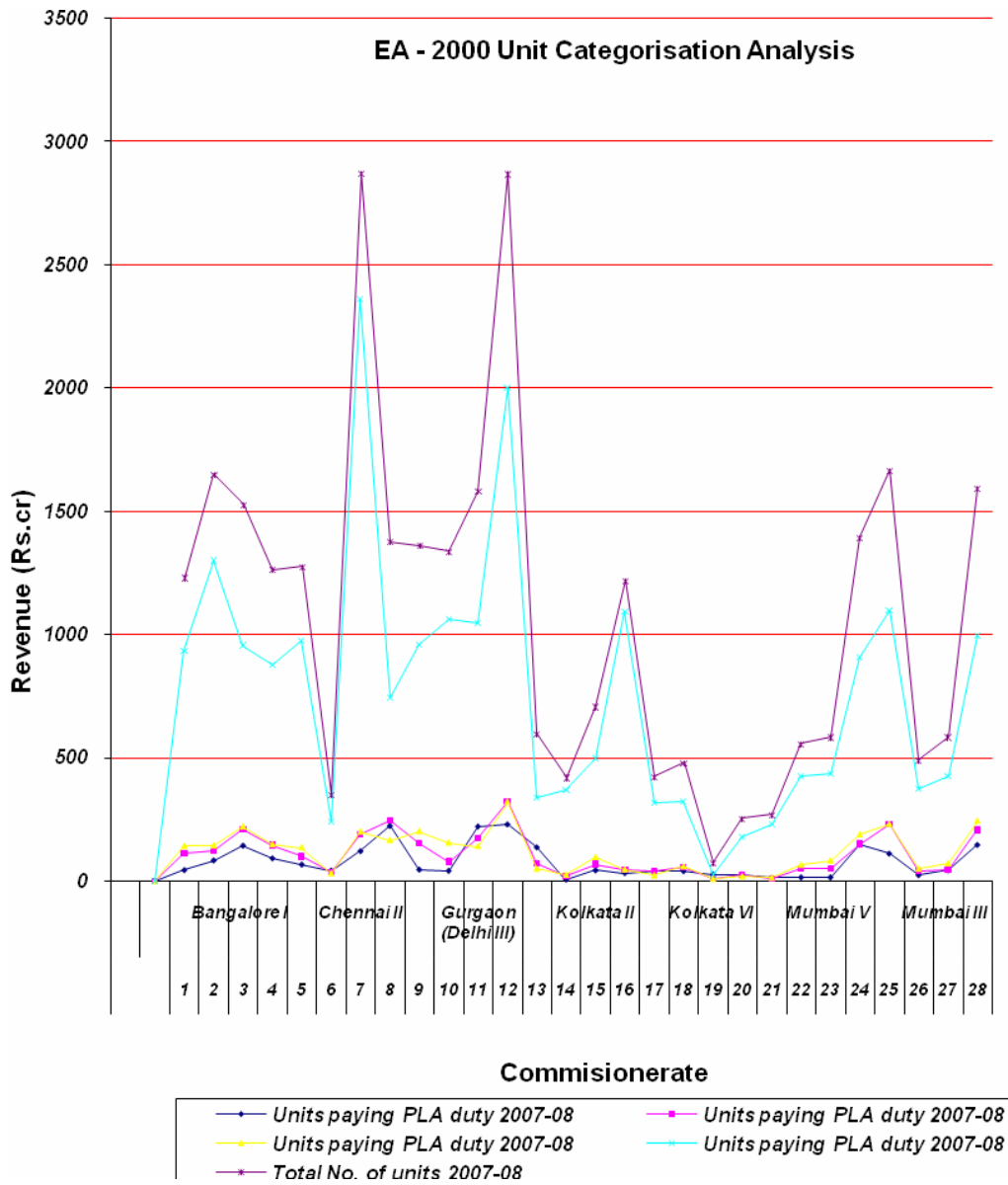
178. As per EA-2000 norms, categorization of the units to be audited, time required for audit in each category, and the frequency of audit are as follows:

Category of unit	Duty paid during previous year	Frequency of audit	Time for audit
A	More than Rs. 3 crore	Every year	10 working days
B	Between Rs. 1 to 3 crore	Once in two years	07 working days
C	Between Rs. 50 lakh and 1 crore	Once in five years	05 working days
D	Below Rs. 50 lakhs	10% random (i.e., once in 10 years)	05 working days
EOU	--	25% random (i.e., once in 4 years)	07 working days

(Source: EA-2000 Audit Manual)

179. The data regarding slab-wise number of units in each existing exclusive Central Excise Commissionerates in 2007-08 is as under:

Source: D.G. (Audit); Data for the year 2008-09 not yet compiled



180. As per existing norms, one audit party may consist of 2-5 officers, depending upon the size of the unit and complexity of the audit (Para 3.3.4 of Audit Manual – 2008). For more focused attention and comprehensive audit, It is proposed that each audit group/party should consist of three Superintendents and one Inspector. The Commissioners in-charge of the Commissionerates may, wherever considered appropriate based on the revenue or any other relevant criteria, depute a bigger Audit party or more than one Audit party to a unit. However, no additional staff is recommended for the same.

181. A sample case study, taking the average number of units in each category, for the 29 recommended exclusive Central Excise Commissionerates, **as per existing norms**, is as under:

Sr. No.	Norms of audit	No. of units	No. of units to be audited in a year	No. of working days required per unit	Total no of days required	Audit norms (as proposed)
1	Revenue above Rs. 3 crore	92	92	10 days	920	Every year
2	Revenue Rs. 1-3 crore	121	62	7 days	434	Once in 2 years
3	Revenue Rs. 50 lakhs to 1 crore	129	26	5 days	130	Once in 5 years
4	Revenue less than Rs. 50 lakhs	820	82	5 days	410	10% random (i.e., once in 10 years)
Total		1071	232		1894	

182. Considering 19 audit days per month, 9 audit parties would be required to audit the units as per existing norms of frequency of audit. One Audit party for audit of the 100% EOUs is also proposed for each Commissionerate.

183. Each Commissionerate may also have additional static audit teams as follows:

- (1) Planning - 1
- (2) Statutory audit - 1
- (3) CAAP - 2

184. Thus, each Commissionerate should have 14 audit parties, each with a staff complement of 3 Superintendents and 1 Inspector. No ministerial staff is recommended for the audit teams.

185. Further, to guide, supervise and monitor the work of above audit parties, it is recommended that 2 Assistant Commissioner/Deputy Commissioner level officers should be exclusively assigned the charge of Audit Section.

3.53 Preventive

186. While preventive is effective for detection of leakage of revenue, it is felt that in view of the focus on tax payer friendly and a more scientific EA 2000 audit, present structure and strength of preventive and anti-evasion set up in a Commissionerate is proper and therefore no change is proposed in it. Sanctioned strength for the preventive work in a Commissionerate is not separately indicated in the Ministry's orders regarding sanctioned strength for the working of a Commissionerate. Each Central Excise Commissionerate usually has working strength of 5 Superintendents and 10 Inspectors, headed by 1 Assistant/ Deputy Commissioner. This is considered sufficient for the preventive and anti-evasion work in a Commissionerate.

3.6 Trade Promotion and facilitation assistance

187. In order to guide and facilitate the trade and industry and in line with the Citizen's Charter, it is recommended that an exclusive Tax Payer's Help Desk, manned by one Superintendent and two Inspectors, be created at the Commissionerate HQ level. Apart from Commissionerate HQ, each Division may also have provision for a Tax Payer's Help Desk, manned by one Superintendent and one Inspector For speedy disposal of various claims like refunds and rebates under various export promotion schemes of the Government and the applications for approvals of Brand Rates of Drawback, etc., a dedicated team consisting of 2 Superintendents and 1 Inspector may be provided at the Divisional level. Simultaneously, the existing time cap of 3 months for disbursement of refunds and rebates to the exporters may be brought down to 1 month. This would help the exporters in a big way, resulting in monetary saving of almost 4% of the amount due to them, by increased liquidity, and help make them globally more competitive. This is very important for the trade and industry.

188. Export Oriented Units (100% EOUs) play a very important role in the economy. Exports made by the EOUs during the year 2008-09 were to the tune of Rs. 164152.18 crore, i.e., 21.40% of India's total export { Source: www.eouindia.gov.in Website of Export Promotion Council of EOUs & SEZs (Ministry of Commerce)}. The EOUs are spread throughout length and breadth of the country. For focused attention to the issue concerning EOUs, it is proposed that each Division may be provided with a dedicated team, consisting of 1 Superintendent and 1 Inspector. Every year, the Government foregoes a very substantial revenue on duty free import of goods by the EOUs. In the year 2007-08, revenue of Rs. 18759 crore was foregone by the Government on such duty free imports by the EOUs. The duty so foregone was 29.30% of the total duty of Rs 64,022 crore foregone on various export promotion schemes, viz., advance license, DEPB, EPCG, EPZ, EOUs and refund of duty under Drawback and other schemes, taken together, indicating the comparative role and significance of the EOUs in export performance of the trade and industry in the country. Duty foregone on the EOU scheme during the year 2007-08 represented a high of 18.02% of the total customs duty collection of Rs.

104119 crore that year, reflecting its significance for tax administration as well {Source: C&AG of India Report No. CA 20 of 2009-10 – Union Government (Indirect taxes)}. In past, quite a number of cases of misuse of the EOU scheme have been noticed. For meeting the twin objective of facilitating the genuine exporters and preventing frauds by the unscrupulous ones, constitution of an exclusive dedicated team to cater to the EOUs is recommended at Divisional level. The team may also be given responsibility to keep an eye on the possible misuse of the EOU scheme by some unscrupulous elements.

3.7 Tax Arrears

189. Recovery of arrears of revenue is of grave concern to the indirect tax administration. Even the Public Accounts Committee, DRSC for the Ministry of Finance and the Comptroller and Auditor General of India have expressed the need for the department to initiate concrete steps to liquidate and realize such arrears of revenue. As on 01.04.2008, Rs. 16902 crore were blocked as arrears of revenue. It is proposed that the machinery for this important task should be strengthened at the Commissionerate as well as Divisional level. Each Division may be provided with 2 Superintendent and 1 Inspector for this purpose. Arrears Recovery unit at the Commissionerate headquarters may comprise of 4 Superintendents and 6 Inspectors. Similarly, other important sections of Commissionerate, like Demand and Adjudication, Review, Revision and Appeals (RRA), etc., should also be manned adequately.

3.8 Outsourcing of Work

190. Assessment of overall picture of present structure and staffing position gives a feeling that some of the work presently being handled by Group C and erstwhile Group D staff can be outsourced. For example, deployment of erstwhile Group D staff may be restricted only for preventive and vigilance work. Work of erstwhile Group D staff in other sections of the Commissionerate HQ. as well as lower formations may be outsourced. In the case of Ministerial staff also, some of the work, like maintenance of computerized data and typing work, etc., can be outsourced. Therefore, it is recommended that though present working strength in the Group C and erstwhile Group D cadres may not be disturbed, future vacancies emerging due to superannuation or promotion may not be filled up and the work-excepting preventive and vigilance - may be progressively outsourced on contract basis. This will be cost effective as well as an efficient way to look after the staffing problems.

191. Based on the above, the Divisional level distribution of work is recommended as under:

Type of work/Section	Number of Supdt.	Number of Inspectors
Technical & Inspection	1	1
Adjudication & Demand	1	1
Liquidation of tax arrears recovery	2	1
Statistics & Computerization	1	1
Audit/Appeal/Recovery	1	1
EOU	1	1
Export Promotion scheme	2	1
Tax Payer's Help Desk	1	1
Total	10	8

3.9 Division and Range level structure:

192. Staffing of a typical Division and Range is recommended as follows:

<u>Division</u>	
Post	Number
Assistant Commissioner	1
Superintendent	10
Administrative Officer	1
Inspector	8
Steno	0
D.O.S.	1
Sr. T. A.	1
T.A.	2
L.D.C.	1
Driver	0
Record Keeper	1
Havaldar	1
Sepoy	1
Total	28

<u>Range</u>	
Post	Number
Superintendent	1
Inspector	2
Sepoy	1
Total	4

193. Considering the above, the overall staffing position after effecting recommended restructuring of a typical Commissionerate is given as under:

Post	Commissionerate HQ	Divisions (5)	Ranges (30)	Total
Commissioner	100%	0	-	1
ADC/JC	3*	0	-	3
DC/AC	5**	5	-	10
C.A.O.	1	0	-	1
Supdt.				
Audit	42	0	-	42
Other	29***	50	30	109
Adm. Officer/ACAO	3	5	-	8
Insp.				
Audit	14	0	-	14
Other	45***	40	60	145
P.S.	1	0	-	1
Steno	0	0	-	0
D.O.S.	2	5	-	7
Sr. Tax Asst.	2	5	-	7
Tax Asst.	4	10	-	14
LDC	2	5	-	7
Driver	3	0	-	3
Record Keeper	1	5	-	6
Head Havaladar	2	0	-	2
Havaladar	3	5	-	8
Sepoy	5	5	30	40
Total	168	140	120	428

*Additional/Joint Commissioner in HQ. 1 – Preventive/Anti-Evasion & other jobs

1 – Personal & Vigilance & other jobs

1 – Tech/Audit & other jobs

** AC/DC in HQ. – 2 – Audit

1 – Preventive/Anti-Evasion

1 – Technical

1 – Arrears recovery, System – Computer, Estt. & Vigilance

*** Supdt./Insp. in HQ. –

Section of HQ.	Superintendent	Inspectors
Technical	2	4
RRA	3	6
Legal	3	4
Arrears of revenue	4	6
RTI	1	1
Vigilance	2	4
Statistics	2	2
Adjudication	4	4
Preventive	5	10
Training/Computerization	2	2
Tax payers Help Desk/Supdt. (HQ)	1	2
Total	29	45

3.10 Supervisory Control at Zonal Level

194. As the Zonal level Chief Commissioners are overall supervisory of the Commissionerates in the respective zones. The Group agrees with Study Group II's recommendations for strengthening the Chief Commissioner's office. It is strongly felt and proposed that one flying squad to carry out surprise checks with reference to vigilance and anti-evasion related matters be created at Chief Commissioner's Office, headed by one Additional Commissioner level officer and supported by 1 Assistant Commissioner and 4 Superintendents. The addition of a technical research section at Chief Commissioner's Office with a perspective to undertake thorough revenue analyse of various reports being submitted by lower formations and to critically study indicators like PLA/Cenvat ratio, sudden rise or decrease in revenue from particular sector or commodity, etc., would help streamline revenue collections as well as act as a timely trigger on acts of evasion of taxes by unscrupulous tax payers.

195. It is further recommended that there should be a co-ordination mechanism at Chief Commissioner's Office level, to co-ordinate with other department at Centre as well as State level.

196. Study Group-II has made detailed recommendations for staffing of the office of the Zonal Chief Commissioners. This Group finds them reasonable and justified, and also recommends accordingly.

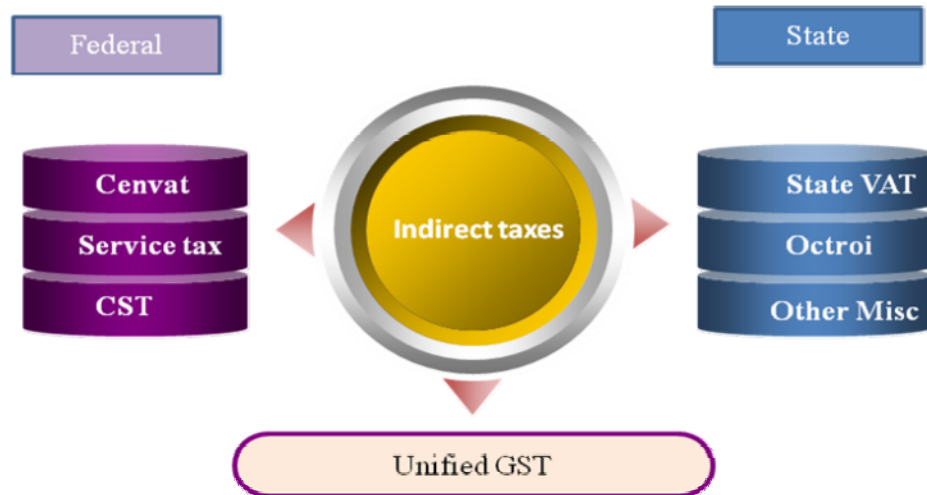
197. It is further suggested that Zonal Chief Commissioners should be granted power to re-deploy the staff under their respective charges, within the overall sanctioned strength of the formations in the Zone and based on the need of the hour. Assessing the man-power requirement and its efficient deployment is an

ongoing process and power to carry out minor changes in the strength of the field formations within the Zone **within the overall authorized strength of the different formations in the Zone** should be delegated to the Chief Commissioner. The Zonal Chief Commissioners may exercise this power with prior concurrence of Director General, Directorate General of Human Resources Development, CBEC. This suggestion is made looking to the fact that being overall supervisory of the Zone, Chief Commissioner can better understand and perceive the changing need of each formation in the zone, consequent to changing industry profile, export oriented activity, changes in tax laws and procedures, fresh levies of and exemptions from taxes, etc., etc.

Chapter 4

Effect of Goods & Service Tax (GST)

198. During his budget speech-2009, the Honb'le Finance Minister has announced that GST will become operational from April, 2010. He has further stated that it will be Dual GST, in which both Centre and State would levy GST at a more or less common basket of goods and services.



199. While the precise, details of new form of collection are still to be worked out, there are some important indications at this stage which have a bearing on the ongoing cadre review/ restructuring exercise:

- i. The total revenue collected by Centre in the form of GST is likely to increase by a significant extent over the sum of collections from Central Excise and Service Tax due to the following reasons:
 - a. Possible taxation of the supply chain beyond manufacture
 - b. Taxation of a number of commodities hitherto under exemption.
 - c. Taxation of a number of services, presently not within the tax net
 - d. Taxation of smaller entities by the lowering of threshold exemption limit
 - e. Phasing out of existing exemptions, in particular end-use and area based
- ii. As a result of above changes a number of new entities are likely to come into tax net; in fact the number may swell to more than 30 lakhs in Central Excise and nearly 10 lakh in Service Tax, though with different nomenclature.

- iii. The distinction between the Central Excise duty and the Service Tax is likely to wither away. To that extent the differences in the administration of the two taxes would also have to significantly narrow down. It is, however, not clear whether the tax collection will be done predominantly by maintaining the existing difference between Central Excise and Service Tax. In case it is decided to completely eliminate the distinction between Central Excise and Service Tax then the concept of exclusivity will have to vanish. This will, however, not have a major impact on the cadre reorganization as it will only mean rechristening of tax to a large extent.
 - iv. There will be number issues of harmonizing CENVAT and Service Tax, as they exist at present, and also between the Central GST and the State GST. This is likely to lead to considerable litigation for a number of years.
 - v. GST, however, will not be a completely new levy. It will be relevant to mention at this stage that the scheme of levy of indirect taxes at the centre has already converged to a considerable degree since 2004 when the Government allowed cross utilization of CENVAT credit on goods and services. To that extent the CBEC administration is far better geared to meet the challenge arising out of implementation of GST and thus the cadre review exercise at this stage will not be out of context. In fact it will only complement the GST and gear up the Department with full preparedness to tackle one of the biggest reforms in indirect taxation.
200. It will be more appropriate, in fact a near necessity, if the cadre reorganization is implemented before the GST is brought into force so that The Department is able to optimize the manpower at different levels and meet the challenge arising out of GST with a high level of preparedness.

Appendices

TERMS OF REFERENCE OF THE STUDY GROUPS**Study Group –I (Exclusive Central Excise Commissionerate)****Study Group shall:**

(i) Quantify the workload of field formations, such as Central Excise Commissionerate, Division and Ranges in terms of number of assessees, number of documents related to Audit, Anti-evasion, RTI, Receipt and scrutiny of statutory returns, and preparation of Departmental reports and other activities such as tax arrear recovery, adjudication etc. undertaken in various administrative components of Commissionerates etc. The growth potential may be suitably analyzed.

(ii) Suggest the revenue/units norms based upon industrial profile for reorganization of existing formations and creation of new formations (Zones/Commissionerates/Division/Ranges) in various geographical regions, while keeping in view the legislative changes in the Central Excise Act 1944 and Central Excise Rules and changing revenue/assessee profile. In this connection reference be made to model Commissionerate sanctioned strength with prescribed number of Divisions/Ranges in the last cadre review. In the last cadre restructuring, a model Commissionerate had been assigned a total staff strength of 403 officers as per decision of the Cabinet with the following break-up (sanctioned strength – all cadres):-

<u>Headquarter</u>	<u>Divisions</u>	<u>No. of Ranges</u>	<u>Total</u>
(5 in a Commissionerate)	(5 in a Division)		
123	31x 5 = 155	25 x 5 = 125	403

It may be examined the number of units/revenue collection that can be effectively and efficiently handled by this model strength. Thus, ideal number of units/revenue that can be handled by a Range/Division/Commissionerate be identified. The Study Group may also examine the additional staff strength for audit purpose granted vide Ministry's Order F. No. A- 11013/ 12/ 2007 Ad. IV dated 16th August, 2007 and examine if additional staff strength is adequate to cater to audit needs or need further strengthening. Details of model sanctioned strength in a Central Excise Commissionerate as provided in **Annexure 'A'**. Norms for Audit Teams are provided in **Annexure 'A-1'**.

(iii) To suggest the norms for merger of existing formations (Zones/ Commissionerates/ Division / Ranges) in various geographical regions based on changing revenue profile and assessee profile. The Group may take into account the increase in number of documents filed over the past 5 years, need for third party inputs, time taken for studying of various inputs and to prevent/detect evasion linked activities and give the projections for the next 5 years.

(iv) Also make suitable examination of the impact on the functioning of the field formations of information technology and the projects like

- Indian Customs EDI System (ICES),
- Indian Customs & Excise Gateway (ICEGATE),
- System Excise Revenue & Monitoring System (SERMON),

- System of Allotment of Central Excise Registration (SACER),
 - Automation in Central Excise & Service Tax (ACES),
 - Computer Aided Audit Protocol (CAAP) etc.
- (v) Take into account the staffing requirements for customs facilitation work like factory stuffing of export consignments, clearance from EOU's, clearance to and from SEZ's in the last few years which work has become more and more important and time consuming. This aspect should be integrated in the norms of units/revenue as applied to model Commissionerate strength as well as Divisions/Ranges approved in the last cadre review.
- (vi) Monitoring of end-use notifications, job workers, declarant units that are on the verge of SSI exemption limit needs to be quantified and officer/staff requirement worked out. This aspect also be integrated for normative units/revenue calculated w.r.t. model staff allocation per Range/ Division/ Commissionerate.
- (vii) Interaction with recognized Officers / staff Associations and take their concerns/aspirations on board.
- (viii) To take into account the proposed movement towards introduction of Goods and Services Tax with proposed date and implementation by April 2010 and its likely impact in terms of change in roles of officers and their training needs and deployment.
- (ix) The Study Group shall also suggest norms for creation of Audit Team(s) and its composition in the Commissionerates.
- (x) Any other issue which the group finds pertinent.

Study Group –I (Exclusive Service Tax Commissionerate)

Study Group Shall:

- (i) Assess the potential for growth in Service Tax sector in the next 5 years and quantify the workload of Service Tax Commissionerate, Division and Ranges/ Groups in terms of number of assesseees, number of documents both manual and online related to Audit, RTI, Receipt and scrutiny of statutory returns, and preparation of Departmental reports etc., and other activities undertaken in various administrative components of Commissionerates etc.
- (ii) Suggest the revenue/units norms for reorganization of existing Service Tax Commissionerate by creation of new Service Tax formations (Commissionerates/ Division / Ranges/ Groups), while keeping in view the legislative changes in the Service Tax Provisions 1994, optimum number of assesseees/ documents including

reports and returns the lowest formation can handle, optimum number of Ranges in Service Tax Division, and other factors such as revenue collection etc.

(iii) Suggest the staffing norms for exclusive Service Tax Commissionerate, Division and Range. These staffing norms shall be based on discernible parameters like Revenue, number of Assesses, documents required to be handled, activities such as Tax Arrear Recovery, Surveillance / Intelligence and research undertaken etc. In this regard, it is pertinent to mention that for creation of an exclusive Service Tax Commissionerate having five Divisions and 25 Ranges, following staffing norms have been adopted by the Government at the time of creation of existing six Service Tax Commissionerates:-

1. Group 'A'	- 10
2. Group 'B'	- 46
3. Group 'B' Non-Gazetted-	84
4. Group 'C'	- 16
5. Group 'D'	- 45
TOTAL	201

Over and above this allocation, separate staff for audit work was also allocated. As per staffing norms, one Service Tax audit team comprises of one Supdt., two Inspectors and one D.O.S. The Study Group may also examine the additional staff strength for audit purpose granted vide Ministry's Order F. No. A- 11013/ 12/ 2007 Ad. IV dated 16th August, 2007 and examine if additional staff strength is adequate to cater to audit needs or need further strengthening. Details of model sanctioned strength in a Service Tax Commissionerate are provided in **Annexure 'B'**. Norms for Audit Teams are provided in **Annexure 'B-1'**.

(iv) Also make suitable examination of the impact on the functioning of the field formations of information technology and the projects like:

- System for Allotment of PAN based Service Tax Taxpayer Code (SAPS),
- Automation in Central Excise & Service Tax (ACES).

(v) To work out implications for proposed GST by 2010.

(vi) Interaction with recognized officers/ staff associations and take their concerns on board.

(vii) The Study Group shall also suggest norms for creation of Audit Team(s) and its composition in the Commissionerates.

(viii) Any other issue which the group finds pertinent.

DUTIES/ FUNCTIONS/RESPONSIBILITY OF OFFICERS IN SERVICE TAX FORMATIONS

[Note: The jurisdictional Commissioner may attune these guidelines/roles in terms of the local requirement (excepting the substantive roles)]

(I) DEPUTY/ASSISTANT COMMISSIONER IN-CHARGE OF A DIVISION

A. ADMINISTRATION

1. The Deputy Commissioner/Assistant Commissioner of Service Tax, in-charge of a Service Tax Division, shall ensure proper functioning of a Division and its sub-ordinate offices by providing leadership and exercising supervisory controls.
2. He will be responsible for,-
 - a. discipline and proper working ambience in the office;
 - b. records and document management;
 - c. use of computers and Information Technology;
 - d. compliance of Citizen Charter

B. TECHNICAL

1. Overall supervisory role, to ensure efficient, professional, result oriented and time bound working in terms of instruction and guidelines issued from time to time, in respect of following business processes,-
 - a. **Registration:** Acceptance of ST-1 applications; scrutiny and verification thereof; issue of Registration Certificate (ST-2) within stipulated time; expeditious forwarding of application for centralized registration to the headquarters. However, if this process of registration is centralised at Commissionerate headquarters (as is the case in some of the Commissionerate), the appropriate supervision would be done by the concerned officer, as may be assigned in the headquarters, by the Commissioner.
 - b. **Data entry and Scrutiny of ST-3s:** timely scrutiny of ST-3s, and appropriate action as regards recovery of Service Tax short paid/not paid, delayed payment of tax, late filing of returns, wrong availment of CENVAT Credit, etc.,. However, if the process of receipt of return ST-3 and data entry thereof is centralised at the Commissionerate headquarters (as is the case in some of the Commissionerate), the appropriate supervision would be done by the concerned officer, as may be assigned in the headquarters, by the Commissioner.

- c. Investigations and Adjudication:** Completion of investigation in time bound manner and timely disposal of adjudication;
 - d. Provisional assessments:** Finalization of provisional assessment in time bound manner;
 - e. Refund/rebate claims:** Expeditious and judicious processing and disposal of refund /rebate claim;
 - f. Audit:** Timely reply to audit objection and proper follow up action
 - g. Legal matters:** Appropriate action for defending matters in Courts, CESTAT, other Authorities and before Commissioner (Appeals). Co-ordination with Departmental Representatives and Government Counsel
 - h. Report/information/replies to higher and other formations:** Providing correct and timely submission information /report/replies to headquarter and other formations with due sense of urgency and responsibility;
2. **Identification of taxable service provider not registered:** Carrying surveys and tapping third party sources to identify the taxable service provider who are required to take registration and take appropriate action for their registration.
 3. **Trade facilitation:** Provide guidance to trade and ensure trade facilitation. Take steps for taxpayer education as regards their rights and responsibilities.
 4. **Revenue monitoring:** Close monitor of Service Tax collections and take every steps to identify the areas of revenue leakage made make all feasible efforts to achieve target.
 - 5 **Recovery of arrears:** To make best efforts to promptly realize arrears of revenue
 6. **Right to Information:** Receipt and timely disposal of applications made under the Right to Information Act, 2005, as a Chief Assistant Public Information Officer.

(II) SUPERINTENDENTS AND INSPECTORS IN A SERVICE TAX GROUP/RANGE:

1. Registration including Centralised Registration:

- a. Receiving ST-1 applications and other relevant documents. Checking/verifying the same whether correct and complete with relevant documents and issue acknowledgement.
- b. Entering the details of ST-1 applications in register/ S.A.P.S.
- c. Preparing ST-2 certificate;

- d. Ensuring dispatch/issue of ST-2 certificate to the applicant within prescribed time limit;
- e. Maintaining the records of registration.

However, if this process of registration is centralised at Commissionerate headquarters (as is the case in some of the Commissionerate), the Range/Group Superintendent is not required to carry out the work of verification of application for registration, issue of registration certificate and entry in the S.A.P.S., etc.,. In such case, Range/Group may be required to maintain records of registration concerning its jurisdiction, till such time the process of preparation of record is fully automated.

2. Monitoring & Scrutiny of ST-3 Returns

- Receive ST-3 returns along with TR-6 challans and other prescribed documents;

(However, if the process of receipt of return ST-3 and data entry thereof is centralised at the Commissionerate headquarters (as is the case in some of the Commissionerate), this work would not be performed in Range/Group).

- Monitoring the filing **ST-3 return** by the assesseees;
- To initiate appropriate action for delays and defaults (non-filing);
- Verification/scrutiny of **ST-3 Returns** as per the prescribed norms;

3 Initiate appropriate action for,-

- Non-payments, short payments, non-levy, short levy;
- Wrong availment and utilization of CENVAT credit;
- Any other contraventions of law;
- For recovery of arrears/dues;
- Scrutinising refund/rebate claims;

3. Audit

To furnish report to the appropriate authority and take timely action to secure the interest of revenue.

4. The following miscellaneous work-

- To cause necessary verification/ investigation in terms of power vested with him and work assigned from time to time by the higher formation.
- To examine the petitions, appeals, etc., filed by the assesses and to offer parawise comments and to brief the Departmental Representative / Counsel wherever required
- To scrutinize the refund claims, if desired by the Assistant Commissioner/Deputy Commissioner in a time bound manner.
- To cause necessary verification/enquiries in respect to references received from other formations and furnish appropriate report.
- To monitor provisional assessments cases and take appropriate steps for finalization of issue within prescribed time.
- To assist the Assistant Commissioner/Deputy Commissioner on the issues like adjudication of SCN, refund, finalization of provisional assessment, etc.
- To assist higher formation in any other matter as may be assigned

5. Records & Registers

To ensure maintenance of specified records and submission of reports and returns promptly.

- 6. To provide necessary assistance to the higher formations.**
- 7. Any other work as may be assigned from time to time.**

Annexure C

Approximate Time required for the duties to be performed by the Inspector as per the latest instruction issued vide Board's Letter F. No. 224/37/2005-CX-6 dated 24-12-2008, considering 50 registered units in a Range.

POINT	Nature of Duty	Remark	Approximate Time Required to perform the duty each month (In Minutes)	Remarks
1.1	Post facto verification of the genuineness of address and declared premises for registration of manufacturer, delaler, 100% EOUs and warehouse within five working days.	It is not a regular work, however presuming about 6 Registrations in a year, considering one day for to and fro journey and one verification work.	240	
1.2	Preparing/updating Assessee's profiles in computer database on the basis of information contained in Registration Application.	One Hour for each new unit registered.	30	
1.3	Sending report of major discrepancies/deviations noticed during verification, such as fake address, non-existence of factory, non-existence of manufacturing facility etc. to the Divisional Office.	1 hr. for each new unit.	30	
1.4	Database of Temporary Registration Numbers with details of steps taken to convert them to 15 digit registration numbers.	This work pertains to Divison level.	0	
1.5	Receipt of declaration of stoppage of certified activity.	It is not a regular work. However, presuming 2 unit cancelled/stopped the activity. Work is approx 2 hour for one unit.	0	negligible
1.6	Receipt of intimation about loss of Registration Certificate.	Rare Case		
1.7	Record of details of electronically maintained records or returns, invoices or other documents, using computer.	10 Minutes for each unit to be done once only.	0	negligible
2. Scrutiny of Returns :-				
2.1	Scrutiny of ER-1/ER-2/ER-3 Returns.	ACES to do it	0	
2.2	Cases of default in duty payment discovered through ER-1/ ER-2/ER-3 Returns.	Average 1 case in a month.	120	

2.3	Completion of scrutiny of returns.	Considering 5 units for detail scrutiny (10% of 50 units). Average time for one unit would be 3 hours.	900	
2.4	Maintenance of Scrutiny Register specified under Return Scrutiny Manual.	ACES to do it	0	
2.5	Submission of certificate of completion of scrutiny of Returns to the Divisional Asst./Dy. Commissioner along with a statement of ER-I/ER-2,ER-3 Returns scrutinized.	ACES and manual	60	
2.6	ER-7 Return	ACES to do it	0	
2.7	ER-5 & ER-6 Return	ACES to do it	0	
2.8	Record of Cenvat invoices received for verification from other Ranges.	Considering receipt of 3 such correspondence each month. 30 minutes for each case.	90	
2.9	Receipt of Annual Financial Information Statement in ER-4.	ACES to do it	0	
2.1	Scrutiny of Dealers' Returns	ACES to do it	0	
2.11	Provisional Assessment Register	Rare Case		
3. Export of goods (including exports to Nepal and / or Bhutan):-				
3.1	Details of annual letter of undertaking furnished by the manufacturer-exporter and accepted by the Dy./ Asst. Commissioner.	3 hrs. each month	180	
3.2	Details of Bond B 1 furnished by merchant exporters / manufacturer-exporters and accepted by the Dy. / Asst. Commissioner.	Divisional work. Range has to receive copy only.	0	negligible
3.3	Monitoring of exports made under bond procedure through self debit / credit by exporter.	Divisional work.	0	
3.4	Compliance with the conditions of the letter of undertaking and the procedure for "acceptance of proof of export" by manufacturer-exporter.	10 exports in a month. 30 minutes for each.	300	
3.5	Details of CT-1 certificates	Considering 10 such cases in a month. 10 minutes for each case.	100	
3.6	Examination and sealing of export consignments under Central Excise Seal.	20 cases in a month. 2 hrs. for each.	2400	

3.7	Verification of ARE-1/ARE-2 for export of goods.	Included in 3.6	0	
3.8	Intimations of goods cleared for export under Bond but not actually exported and received back in the factory of manufacture.	Rare Case.	0	negligible
3.9	Recovery proceedings in case of failure to produce the proof of export in the prescribed manner.	One case in a month	30	
3.1	Receipt of Monthly Statement (Annx.19) or quarterly statement(Annx. 20) as per Chapter 7 Part-III 3.3.1 of the Central Excise Manual, filed by the exporter.	30 cases in a month. 30 mins. Each.	900	
3.11	Record of units availing the procedure under the Central Excise (Removal of goods at Concessional Rate of Duty for manufacture of excisable goods) Rules 2001.	2 cases in a month. 20 minutes each.	40	
3.12	Record of exporters as per Circular No. 579/16/2001-CX. Dated 26.6.2001(warehousing provision) issued under Rule 20.	Rare Case		
3.13	Maintenance of Exports Register and details of the ARE-1/ARE-2.	10 such cases in a month. 10 minutes for each case.	100	
3.14	Exports under DEEC, DEPB and Drawback	As per 3.6		
4. Show Cause Notices and duty demands:-				
4.1	Issue of Demand-Cum-Show Cause Notice in accordance with Sec 11A of the Act for recovery of duty not paid / short paid.	One case in a month	120	
4.2	Unconfirmed Demands Register and 335 J Register.	Monthly work.	60	
4.3	Relied upon documents and SCN.	As per 4.1	0	
4.4	Return of unrelieved upon documents.	no range level work	0	
5. Remission of duty and destruction of goods :				
5.1	Applications / intimations received regarding excisable goods lost or destroyed by natural causes or by unavoidable accident or claimed as unfit for consumption or for marketing, at any time before removal from the factory.	2 case in a year, one day per case	80	
5.2	Remission of duty and destruction of goods.	included in 5.1	0	

5.3	Supervision of the actual process of destruction of excisable goods on which duty has been remitted by the competent authority and	As per 5.2		
6. Audit Compliance :				
6.1	Audit Registers for CERA objections and Internal Audit objections.	2 cases in a month. 30 minutes each.	60	
6.2	Demand SCN bases on admitted CERA objections and Internal Audit objections.	1 cases in a month. 3 hours each.	180	
6.3	Protective demands on the basis of CERA objection not admitted. The matter should be immediately referred to the higher officers.	1 case in a month	90	
6.4	Closure of audit paras	2 cases in a month	0	negligible
7. Confirmed demands and recovery of arrears of revenue :-				
7.1	Receipt of Adjudication Orders.	1 in a month.	30	
7.2	Issue of letters for recovery of arrears after expiry of appeal period.	30 mins. each month	30	
7.3	Record of appeals preferred by assesses.	30 mins. each month	30	
7.4	Action for recovery of arrears where appeal is not decided within six months from the date of stay granted by the Tribunal.	Rare case		
7.5	Record of appeals preferred by the department.	Once in a moth	0	
7.6	Vacation of stay obtained by assesses.	Not a range work	0	
7.7	Recovery of arrears under Section 11 of the Central Excise Act.	One day per month	480	
7.8	Recovery of arrears of revenue by invoking provisions of Section 142 of the Customs Act, 1962 as made applicable to Central Excise under Sec.12 of the Central Excise	Rare Case		
7.9	Information about assesses owing arrears of revenue.	2 hrs. in a month	120	
7.10.	Write off of irrecoverable arrears.	Rare case		
7.11	Provisional attachment of property	Rare case		
8. Monitoring of revenue collection:				
8.1	Revenue monitoring on monthly basis	30 mins. for each unit	1500	
9. Budget related matters:				
9.1	Study of implications of budget proposals	2 days in a year	80	
9.2	Budget related Reports required by the Board (Tax Research Unit).	3 hrs. each month	180	

9.3	Survey of new assesses as per budget proposals.	2 days in a year	80	
10. Units under physical control (cigarette factories):				
10.1	Physical Presence	Rare case. However, the entire Range office is normally stationed at the factory. Since this is a large unit		
10.2	Assessment of duty before removal, Survey Book in prescribed form, Supervision of operations in the cut-tobacco store, manufacturing room or manufacturing hall, finishing and packing and clearance, Examination of finished goods in storeroom, To maintain f	AS PER 10.1		
	1. Appendix A- Blending & Cutting Account			
	2. Appendix B- Cut Tobacco Store Account			
	3. Appendix C- Cigarette Manufacturing Account			
	4. Appendix D- Packing Account			
	5. Appendix E- Waste Cigarette Account			
	6. E.B.4. – Daily entry Book			
	7. Appendix F- Reconciliation Register			
	8. Appendix G- Quarterly return			
	Periodical returns submitted by the manufacturer, Record and disposal of waste cigarettes and waste tobacco, Receipt back of finished goods cleared on payment of duty, Other items of work.			
11. Units manufacturing commodities notified under section 3A of the Act(Pan Masala etc.):				
11.1	To verify number of machines, type of machines, nature of product manufactured, capacity etc.	One case.(Not a normal work for all ranges)	0	negligible
11.2	Sealing of machines	Ocassional, considering 2 cases.	80	
11.3	Monitor duty payment	8 hrs. a month	480	

12. Maintaining Range Records:				
	Maintenance of Range records, such as:	To maintain records / registers and update them periodically and prepare monthly abstract of each one and submit to Range Officer with dated signatures.		
	1. Register of Inward Dak received in the Range and Dispatch of Dak from the Range.	For Registers 1 to 34	600	
	2. Record of Misc. Information regarding Jurisdiction (335-C)			
	3. List of Registered assesses (335-D Register)			
	4. Records of Inspection (335-O Register)			
	5. Provisional Assessment Register			
	6. Records of Files, manual and other documents (335-N Register)			
	7. Register of Scrutiny and Revenue Realization			
	8. Record of overtime application received and fee recovered.			
	9. Record of Export under claim of Rebate.			
	10. Record of Export under Bond (based on ARE-1/ARE-2) received.			
	11. Register showing comparative figures of Revenue of last 3 years.			
	12. Register Showing the position of demands in arrears (Confirmed demand and Unconfirmed demand Register)			
	13. Record of Refund/Rebate			
	14. Record of in Bond movement			
	15. 335-J Register of offence and penalties			
	16. Record of Bonds and Power of Attorney (335-P Register)			
	17. Record of Call book cases			
	18. Register of CT-3 and procurement certificate.			
	19. Record of Appeal and Revision Application and Legal cases.			
	20. Record regarding Remission / abatement of duty.			
	21. Record of Fire Accidents.			
	22. Record of Duty paid under protest.			
	23. Record of samples drawn			
	24. Record of Audit objections – IAR/LAR			

	25. Record of Exporter and 100% EOU			
	26. CT-3 Pre Authentication Register			
	27. Default Register			
	28. Calendar of Returns.			
	29. Record Export to Nepal.			
	30. Guard File of Trade Notices.			
	31. Special watch register.			
	32. Dead stock Register.			
	33. Casual Leave Register.			
	34. Attendance Register of Sepoys.			
13. Computer database:				
13.1	Maintenance of data and records in computers.	1 hour daily	1200	
13.2	Profiles of assesses on computer.	As per 13.1		
14. Special procedures and other work:				
14.1	Reconciliation of T.R. – 6 Challans.	ACES to do it	0	
14.2	Intimation of receipt of duty paid goods received back for repair, remade, or for any other reason in terms of Rule 16 of Central Excise Rules, 2004	1 case a month	180	
14.3	Verification of Refund / Rebate claims.	5 cases a month of rebate claim.	300	
14.4	Verification for Brand Rate of Drawback.	2 case a year. 2 days a year	80	
14.5	Statutory intimations submitted by the assesses	10 minutes per unit in a month	500	
14.6	Payment of duty under protest.	Rare Case.		
14.7	Periodical verification of surety Bond and Bank Guarantee.	1 Case a month	60	
14.8	End-use based Customs Bonds	Rare Case		
14.9	Register of units availing General SSI Exemptions.	8 hrs. in a month	480	
14.1	Drawal of samples of manufactured goods or inputs to ascertain correct identity or classification or eligibility of any exemptions.	Rare Case		
14.11	Reply to applications, letters and requests made by the assesses.	30 minutes daily	600	
14.12	Periodical Reports.	periodical reports upto 10th of the month.	1200	
14.13	Miscellaneous and adhoc reports.	AS per 14.12		
14.14	Help and assistance sought by assesses in relation with tax compliance.	1 hrs. a month	60	
15. Other duties and functions:				

15.1	Any other duties and functions specified under the relevant statutes, rules, notifications, circulars and departmental instructions.	Any case	60	
15.2	Any other duties and functions assigned by superior officers.	4 hrs. a month	240	
15.3	E-filing and e-payment	1 hr. each month	60	
15.4	Customs(Import of goods at concessional rate of duty) Rules, 1996.	1 case a month	60	
15.5	Maintenance of trade notices, circulars, tariff books, ELT and Manuals.	Once in a month.	180	
15.6	Publication of names of defaulters	Rare Case		
15.7	Any other work assigned by superior officers.	Included in 15.2	0	

TOTAL MINUTES 15060
 TOTAL HOURS 251.0
 Man-days required 31.4

Note:

1. No time is factored in for items like Inspections, visits of senior officers to the range, audits by CERA, etc.
2. Some work per force has to be done on weekly and other holidays.
3. Man days available per Inspector: 30.5 (-) 8.5 Sat/Sunday (-) 1 (Gazetted holiday) = 21
* Earned leave, Casual leave, sick leave, R.H. etc. are not factored in.
4. Man days available in a year = 250.
5. Man days available for Audit= 250 - 22 (for monitoring meeting/desk review) = 228