

EXCISE DUTY

An excise or excise tax (sometimes called an excise duty) is a type of tax charged on goods produced within the country (as opposed to customs duties, charged on goods from outside the country). It is a tax on the production or sale of a good. This tax is now known as the Central Value Added Tax (CENVAT). It is mandatory to pay duty on all goods manufactured, unless exempted.

Types of excise duty

There are three different types of central excise duties which exist in India which are as follows:

Basic - Excise Duty, imposed under section 3 of the 'Central Excises and Salt Act' of 1944 on all excisable goods other than salt produced or manufactured in India, at the rates set forth in the schedule to the Central Excise tariff Act, 1985, falls under the category of basic excise duty in India.

Additional - Section 3 of the 'Additional Duties of Excise Act' of 1957 permits the charge and collection of excise duty in respect of the goods as listed in the schedule of this act. This tax is shared between the central and state governments and charged instead of sales tax.

Special - According to Section 37 of the Finance Act, 1978, Special Excise Duty is levied on all excisable goods that come under taxation, in line with the Basic Excise Duty under the Central Excises and Salt Act of 1944. Therefore, each year the Finance Act spells out that whether the Special Excise Duty shall or shall not be charged, and eventually collected during the relevant financial year.

Goods which are excisable

The term 'excisable goods' means the goods which are specified in the first schedule and the second schedule to the Central Excise Tariff Act, 1985, as being subject to a duty of excise and includes salt.

Liability to pay excise duty

The liability to pay tax excise duty is always on the manufacturer or producer of goods. There are three types of parties who can be considered as manufacturers:

- Those who personally manufacture the goods in question
- Those who get the goods manufactured by employing hired labour
- Those who get the goods manufactured by other parties

Consequence of evading payment of excise duty

Under the different sections of the central excise act, the fines for evading tax can range from twenty-five to fifty per cent of the amount of duty evaded. When you look at the amount of excise you may have to pay, this is a rather large amount and along with the financial repercussions, you also have to encounter a tarnished image.

F.A.Q.

1. What is Excise Duty?

Ans: Excise Duty is a type of tax charged on goods produced within the country.

2. How many types of Excise Duties are there in India? What are they?

Ans: There are three types of Excise duties. They are as follows:

1. Basic Excise Duty (Section 3 of Central Excise Duty Act, 1944)
2. Additional Excise Duty (Section 3 of Excise Act, 1957)
3. Special Excise Duty (Section 37 of Finance Act, 1978)

3. What is the rate of duty on various categories of goods?

Ans: The rate of duty on each item is specified in the Central Excise Tariff Act, 1985.

4. Which type of Excise Duty is shared between Central and State Government?

Ans: Additional Excise Duty is shared between the Central and State Government.

5. What is meaning of Excisable Goods?

Ans: The term "Excisable Goods" means the goods which are specified in the first Schedule and the second schedule to the Central Excise Tariff Act, 1985 as being subject to Excise Duty.

6. Who is liable to pay Excise Duty?

Ans: The manufacturer or the producer of goods is liable to pay Excise Duty.

7. Who are considered as manufacturer under Excise Duty Act?

Ans: Three types of parties are considered as manufacturer as follows:

1. Those who personally manufacture the goods in question.
2. Those who get the goods manufactured by employing hired labour.
3. Those who get the goods manufactured by other parties.

8. What about the provision of fine for evasion of Excise Duty?

Ans: The range of fine for evasion of Excise duty can be from 25% to 50% of the amount of Excise Duty so evaded by the party.