

Ref. No. 106/8018

14 October 09

Mr. V.Sridhar
Hon`ble Chairman,
Central Board of Excise & Customs
Department of Revenue, Ministry of Finance
Govt. of India

Dear Sir,

At the outset we extend you our warm welcome to Lucknow and thank you for having given us an opportunity to share with you the issues / problems related to Central Excise, Customs and Service Tax raised / faced by our members predominantly from Micro, Small and Medium Enterprise Sector.

Indian Industries Association (IIA) is an apex representative body of MSME having more than 7000 Members in North India. IIA is a member of National Board of MSME as well as High level task Force on MSME constituted recently in Prime Minister Office apart from several boards and councils at the National and State levels. IIA is also interacting very closely with Department of Central Excise and Customs at Lucknow and Help Center of the Department is operating IIA Bhawan at Gomati Nagar.

Some of the major issues that we would like to draw your attention to are :-

1. Monthly / Quarterly returns filed by Micro – Small Sector:

SSI / Micro-Small Sector till 31st.Mar. `2005 had two options viz a viz Central Excise Duty.

- a. A SSI unit could avail full excise exemption from excise duty up to clearance of Rs 1 crore, under notification No. 8/2003 dtd. 1.3.2003
- b. A SSI unit could avail CENVAT credit on inputs and pay excise duty at a concessional rate, which was 60% of normal tariff rate, under notification No. 9/2003 dtd. 1.3.2003

However, Notification No. 9/2003 was rescinded w.e.f. 1.4.2005, as an immediate fall out of this, all the Micro-Small enterprises availing benefits under notification 9/2003, were deprived of the same, and instead of filing quarterly returns earlier, they have to file monthly returns now. Similarly instead of having the liberty to pay duty by 15th. of next month earlier, now duty has to be paid by 5th.of next month. In effect, central excise procedural provisions for Micro-Small enterprises who used to avail benefits of notification No. 09/2003 have become at par with large enterprises. Now one class of Micro-small sector, that avails of CENVAT credit and pays duty from first clearance is being

discriminated against viz-a-viz another class that avails exemption under Not. No.08/2003. Thus quintessentially organized Micro-Small sector is at disadvantage against unorganized Micro-Small sector.

While government policy makers may have decided against extending duty concessions to the micro-small sector, but depriving them of procedural benefits must have definitely not been on their mind.

We therefore very strongly suggest that Notification No. 9/2003 dt. 1.3.2003. be restore immediately even if without any duty concessions.

2. Annual Capacity Return ER- 7 filed by Micro-Small Sector

By notification No. 38 dtd. 29th.Sept.`2008, every assessee is required to file annual capacity return ER-7 under rule 12 (2A)(a). However, rule 12(2A)(b) provided that certain class of assesses will be exempted from this.

Presently even Micro-Small sector assesseees are required to file annual capacity return ER-7 although it may be serving no purpose at all.

We request you to kindly exempt the Micro – Small sector from having to file ER-7 annual capacity return every year.

3. E-Payment of Duty

Except for the metro towns where even private sector banks such as HDFC and ICICI Bank have been mandated for e-payment of duty, no other Central Excise commissionerate has mandated private sector banks to collect e-payment of central excise duty or service tax. As result assesses have limited choice of making e-payment of duty / taxes through couple of public sector banks, which have their own set of problems in terms of connectivity, password etc. As a result of this restriction, large majority of small assesses pay duty / taxes physically by cheque / cash.

We strongly suggest that some of the top private sector banks such as HDFC and ICICI be mandated to collect duty in every commissionerate and this one move would popularize e-payment of duty phenomenally.

4. Simplification of procedures for importing inputs raw-materials at concessional rate of duty.

Several enterprises in MSME sector, who are ancillaries to Large manufacturing units in white goods / electronics sector, import lot of inputs as concessional rate of duty. As part of procedural requirement, they have to make different annexure for air or sea shipments, depending on the mode of imports, besides, the clearance may also be done at

different points i.e. IGI airport or CFS patpargung, as result multiple annexures have to be made. The whole procedure leads to huge loss of time as well cost.

We request you to kindly device simplified procedures, which are preferably e-filing based and system driven so that time of filing and follow up is curtailed substantially.

5. Delay in releasing Actual User Certificate for Availing Concessional Rate of Duty.

Above set of members have also raised issues regarding delay in obtaining actual user certificate for availing concessional rate of duty.

Here also we suggest that as part of simplification of procedures e-filing based system be introduced, making it computer system driven time bound mechanism.

We are aware about the busy schedule you are having at Lucknow , hence are submitting few important points for your consideration this time. However, we would request you for periodical meeting with the MSME Associations at Delhi as per your convenience for more detailed discussions related to issues and problems of this vital sector. IIA can co-ordinate such meeting.

Thanking you,

Your's Truly

Rajata Mehra
Chairman
Indirect Tax and GST Working Group of IIA