

Compounded Levy under Central Excise

Introduction

Compounded levy scheme is prescribed under Rule 15 of Central Excise Rules, 2002. It is the duty payable at fixed rate on the basis of certain factors that are relevant for production of goods such as scale of operation, capacity of the machines, size of the machines etc.

The Central Government is empowered to specify, by notification, the goods in respect of which an assessee shall have the option to pay the duty of excise on the basis of specified factors relevant to production of such goods (size of equipment employed, number and the types of machines used for manufacture etc.) at the specified rates. The prescribed duty has to be paid by the manufacturer for the specified period.

Advantages of the Scheme

The advantage of this scheme is that it frees the manufacturer from observing day to day central excise formalities and maintenance of detailed accounts after making the lump sum periodic payment. Thus, small manufacturers generally benefit from this scheme.

The Central Government has notified

- Stainless steel pattas/patties and
- Aluminum circles for the purpose of compounded levy scheme.

These articles are not eligible for SSI exemption. Duty on the above goods is payable on the basis of Cold Rolling machine installed for the manufacture of above goods.

As per budget, 2013 Compounded levy on stainless steel "Patta Patti" is being increased from Rs 30,000 per machine per month to Rs 40,000 per machine per month. While levy on aluminum circles remains at Rs. 12,000/- per machine per month.

Optional Scheme

It is an optional scheme i.e. the manufacturer can opt to pay duty either as per normal rules and procedures or as per Compounded Levy Scheme. But once the assessee opts to pay duty as per this scheme he cannot opt out of the scheme and ask for normal assessment not at least up to the period mentioned in the application made by the assessee to avail the compounded levy scheme.

Compounded Levy under section 3A

Compounded levy scheme mentioned under rule 15 of Central excise rules is different from compound levy mentioned under section 3A of the Central Excise Act, 1944.

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The levy under section 3A is mandatory and the items specified for this purpose is Pan masala having tobacco or not and chewing tobacco. Object of this levy is to control evasion of duty. Every manufacturer of this type of goods has to file their return in form ER-7 and pay the duty by 5th of the same month.

For the purpose of compounded levy under Rule 15 normal procedures are followed i.e, return under ER-1 and payment by 5th of next month. The main objective of this scheme is to provide convenience to the assessee for payment of duty.