

F. No. 354/25/2016 - TRU (Pt.-I)
Government of India
Ministry of Finance
(Department of Revenue)
Tax Research Unit

New Delhi, the 26th July, 2016

To,

Principal Chief Commissioners / Chief Commissioners of Central Excise (All);
Principal Chief Commissioners / Chief Commissioners of Customs & Central Excise (All);
All Director Generals of Customs, Central Excise & Service Tax

Madam / Sir,

Subject: Guidelines for issue of summons, visits, search, seizure, arrest and prosecution regarding manufacturers or principal manufacturers of articles of jewellery or parts of articles of jewellery or both- regarding

In this year's Budget, central excise duty of 1% without input and capital goods tax credit or 12.5% with credit was imposed on articles of jewellery falling under heading 7113 of the First Schedule to the Central Excise Tariff 1985. Subsequent to that, the Government had set up a Sub-Committee of the High Level Committee, headed by Dr. Ashok Lahiri to interact with Trade & Industry on issues relating to procedure and compliance relating to excise duty of articles of jewellery. The Sub-Committee has given its report on 23.06.2016, which has been accepted by the Government.

2. In the context of visits, issue of summons, search, seizure, arrest and prosecution in respect of manufacturers or principal manufacturers of articles of jewellery or parts of articles of jewellery or both, falling under heading 7113 of the Central Excise Tariff Act [hereinafter referred to as articles of jewellery] the Sub-Committee has made certain recommendations, which have been accepted by the Government. Accordingly, notwithstanding anything to the contrary provided in any other circular/instructions, the following guidelines for such actions in respect of manufacturers/principal manufacturers of articles of jewellery may be followed scrupulously,-

- i. No transit checks shall be carried out by the excise officials for checking movement of semi-finished or finished articles of jewellery.
- ii. Visits, search of the premises of a manufacturer or principal manufacturer of articles of jewellery, issue of summons, seizure, arrest and prosecution may be initiated only when there is a clear reason to believe that there is an act of evasion, formed at the level of Commissioner or an equivalent rank officer.

- iii. Visits, search of the premises of a manufacturer or principal manufacturer of articles of jewellery, issue of summons, seizure, arrest and prosecution shall not be undertaken for,-
 - a) issues relating to procedure or compliance related matters;
 - b) issues related to documents such as invoices, registers; or
 - c) issues related to pure matters of legal interpretation.
- iv. Instances where visits, search of the premises of a manufacturer or principal manufacturer of articles of jewellery, issue of summons, seizure, arrest and prosecution may be undertaken,-
 - a) where excise duty is collected but not deposited with the Government; or
 - b) where there is information to the satisfaction of an officer of the level of Commissioner or equivalent that there has been a substantial evasion of duty.
- v. Even if such actions are to be taken, the administration must ensure that it does not result in an unjustified targeting of certain persons. The administration must also ensure that visit or search, when justifiably taken, must not be taken against karigars/artisans and must be taken only in respect of a manufacturer or a principal manufacturer, and should not result in any disruption of business at the place of business or place of residence of such manufacturer or principal manufacturer.
- vi. Summons in respect of evasion of excise duty on articles of jewellery may be issued only with the approval Commissioner or an equivalent rank officer.
- vii. No visit to the premises of manufacturer of principal manufacturer shall be carried out except on the basis of specific intelligence and with the approval Commissioner or an equivalent rank officer.
- viii. In case of seizure, the seized goods must be given back immediately to the manufacturer or principal manufacturer under supratnama. Further, provisional release of the seized goods shall be given within three working days from the date of request seeking provisional release. The amount of security sought for such provisional release should be equal to the duty payable on the seized goods and not their value.
- ix. No visit, search and seizure may be resorted to in cases where the expected evasion of duty is less than Rs. 75 lakh. In such cases, the investigation of the case may be done under summons.
- x. No arrest or prosecution for manufacturers or principal manufacturers of articles of jewellery shall be resorted to in cases where the duty evaded is less than Rs. 2 crore.

5. Except as herein provided, all existing circulars/instructions relating to issue of summons, visit or search, arrest and prosecution, in central excise, shall apply *mutatis*

mutandis to the manufacturers/principal manufacturers of articles of jewellery or parts of articles of jewellery, as the case may be, falling under heading 7113 of the Central Excise tariff Act.

6. Hindi version will follow. Trade Notice/Public Notice may be issued on the above lines.

7. Difficulties faced, if any, in implementation of this Circular may be brought to the notice of the Board.



(Anurag Sehgal)

Under Secretary to the Government of India