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From the ringside

Time to repeal small cess Acts

Last week, I made some suggestions on reforming the Ministry of Finance. This included repeal of laws which have outlived their utility. All tax-related legislations must be rational and serve the needs of the time. One area on which there is persistent ambiguity is cess.

While a precise definition of cess is somewhat elusive, Jas Bains says that “in modern terms, cess is used to describe a tax on a tax. This meaning has been derived from Irish farmers, as those who have the most successful yield pay the most tax on their crop to the Government (cess for assess)”. In the Indian context, however, the Supreme Court, in a ruling in *Shinde Brothers versus Commissioner, Raichur* reported in 1967, said that “the word cess means a tax and is generally used when the levy is for some special administrative expense” citing various examples suggesting the name of the cess explains the object.

The cess on petrol and diesel which finances the National Highway Development Programme as well as rural roads is understandable and is directly earmarked for its end use. In fact, its proceeds go to a corpus which enables market borrowing based on securitisation of the anticipated revenue stream. Similarly, the education cess recently imposed is designed to augment resources for enabling us to meet the necessary but somewhat daunting targets for [human resource development](#). While the cess for NHAI and education are recent and their use understandable, there are multiple small cesses being collected through a number of legislations which we have all forgotten.

Here is a list of small cesses being collected by a multitude of laws in 2003-04:

- Cess on bidis: The Bidis Workers’ Welfare Act, 1976; Amount collected: Rs. 94.05 crores.
- Cess on iron ore: Iron Ore Mines, Manganese Ore Mines and Chrome; the Mines Labour Welfare Cess Act, 1976; Amount collected: Rs 7.72 crores.
- Cess on limestone and dolomite: The Limestone and Mines Labour Welfare Fund Act, 1972; Amount collected: Rs 16.49 crores.
- Cess on feature films: The Cine Workers Welfare Cess Act, 1981; Amount collected: Rs 90,36,000.

Objective: The above four welfare funds are to be administered by the Ministry of Labour to provide housing, medical care, educational and recreational facilities to workers employed in bidi industry, certain non-coal mines and cine workers.

- Cess on coal and coke: Coal Mines (Conservation and Development) Act, 1974. Objective: Provision for conservation and safety measures in the coal mines and the

development of road and rail transport infrastructure in the coal-mine areas.
Amount Collected: Rs 230 crores.

- Cess on Copra: Copra Cess Act, 1979. Objective: An Act to provide the imposition of cess on Copra for the development of the coconut industry and for matters connected therewith. Amount collected: Rs 9,000.
- Cess on coffee: Coffee Act, 1942. Objective: Coffee board implements various plan schemes for development of coffee under which various types of financial/ technical assistance is provided to coffee growers. Amount collected: Rs 50,000.
- Cess on oil and oil seeds: Produce Cess Act, 1966. Amount collected: Rs 46,87,000.
- Cess on vegetable oil: Ministry of Agriculture (Department of Agriculture) Notification No. G.S.R. 882 (E), dated 8-12-1983. Amount collected: Rs 17,80,000.
- Cess on jute: Jute Manufactures Cess Act, 1983. Objective: For the purpose of carrying out measures for the development of jute manufactures and for matters connected therewith. Amount collected: Rs 40.37 crores.
- Cess on rubber: Rubber Act, 1947. Objective: To give the minimum price to the rubber growers for stabilising rubber price. Amount collected: Rs 84.16 crores.
- Cess on salt: Salt Cess Act, 1953. Objective: For the purpose of raising funds to meet the expenses incurred on the salt organisation maintained by government and on the measures taken by government in connection with the manufacture, supply and distribution of salt. Amount collected: Rs 2.77 crores.
- Cess on sugar: Sugar Cess Act, 1982. Objective: The imposition of a cess on sugar for the development of sugar industry and the matters connected therewith. Amount collected: Rs 341.57 crores.
- Cess on tea: Tea Act, 1953. Objective: Cess levied on tea goes to Tea Board. Amount collected: Rs 26.86 crores.
- Cess on cotton: Produce Cess Act, 1966. Objective: The proceeds of the cess are utilised to meet the expenditure incurred in connection with measures to promote the improvement, development and marketing of produce under the Act, which includes cotton. Amount collected: Rs 4,22,000.
- Cess on textiles: Objective: To promote development of textiles, woollen fabrics, artsilk fabrics and manmade fabric. Amount collected: Rs 41.61 crores.
- Handloom cess on rayon and artistic fabric: Textile Committee Act, 1963. Amount collected: Rs 3,000.
- Handloom cess on woollen fabrics: Amount collected: Rs 22,000.
- Handloom cess on cotton fabrics: Amount collected: Rs 9,12,99,000

- Handloom cess on Manmade fabrics: Amount collected: Rs 54,000
- Cess on tobacco: Tobacco Cess Act, 1975. Objective: Cess collected under this Act goes to Tobacco Board. Amount collected: Rs 13,94,000.
- Cess on paper: Industries (Development and Regulation) Act, 1951. Amount collected: Rs 18.39 crores.
- Cess on straw board: Amount collected: Rs 13,87,000. Objective: To promote straw board industry.
- Cess on automobiles: Objective: To promote the automobile sector. Amount collected: Rs 77.19 crores
- Cess on matches: Amount collected: Rs 37,000.
- Cess on other commodities: Amount collected: Rs 2,77,000.

The above 26 cesses administered under 27 Acts yields a princely sum of Rs 993 crores. In fact, the cess on copra yields Rs 9,000 while handloom cess on rayon and artsilk fabric yields Rs 3,000. The cost in keeping records, both of their realisation and their expenditure, would in many cases exceed the amount collected from the cess. Clearly, their continuation and the enabling legislations have ceased to be relevant. Their repeal will clear up the books with little revenue consequence. The Finance Ministry should coordinate with administrative ministries for getting them repealed in the Budget session. Continuing with the cesspool of cesses whose collection and use we have forgotten does not contribute to public good.

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