TAX REFORMS FOR TEXTILE SECTOR

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The budget follows the policy of high fiscal deficit to boost the economy. It may be worth the risk provided the supply side responds adequately. The budget has based this assertion on the claim that it has taken a leap forward towards a rational tax policy. This paper challanges this claim and presents an analysis of reforms in the union excise duties for textile sector, as a case study. It delves into the priorities as well as the pace of reforms. The paper puts forth proposed reforms essential to provide an environment to have proper response from the supply side.

The budget 1994-95 is presented at a time when the economy is facing a very low growth. The GNP during the year increased by 3.8 per cent and industrial output by mere 1.6 per cent. The budget, therefore, attempts to boost the economy through a heavy dose of fiscal deficit to provide requisite stimulus to industrial growth.

Although in one of the interviews last year, Dr. Manmohan Singh has asserted that the fiscal deficit would be brought down to "no more than 5 per cent of GDP", this budget reverts to the policy of a massive increase in the fiscal deficit. The deficit for the 1993-94 (revised estimates) is 7.3 per cent of GDP as against a target of 4.7 per cent budgeted last year. Also, the deficit targeted for the year 1994-95 is as high as 6 per cent of GDP. This is much higher than what was witnessed in 1991-92. Further, going by the experience of what happened to the budget estimates of the last year, as compared to what is achieved through the revised estimates, one could doubt the sanctity of the correctness of the deficit presented in 1994-95 budget. If this figure goes awry, we are back to the policy of large deficits.

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Assuming that the deficit might increase a little more, than the budgeted figure, the assertion of the Finance Minister that the high deficit provided in the budget is to give stimulus to industrial growth and to put the economy back on the track of rapid growth has to be given proper consideration. It is important to realise that even if the deficit enlarges, the increase in inflation would primarily depend upon the response of the supply side. The budget provisions are, therefore, definitely based on a calculated risk: boosting the economy and mobilising resources thereupon.

With a view to providng an environment for a proper response from the supply side, this budget claims to take a leap forward towards a rational tax policy through the implementation of the recommendations of the Tax Reforms Committee (TRC) (Government of India, 1992). Both on account of corporate tax strucutre and in the direction of commodity taxes the budget attempts to provide the industry with an environment for heavy investment to enable it to be global. As regards corporation tax, the budget not only reduces the tax rates but in addition the Finance Minister promises to further look into the capital gains tax when the foreign investors prove themselves to be stable in the country. Also, the budget claims that by rationalising customs and union excise duties (UEDs), it paves the way for the value added tax to help achieve a suitable growth rate for the industry.

In the context of the above assertion, this paper analyses the reforms in the UEDs. Since these are industry specific, the paper presents detailed analysis of the reforms affecting the textile sector, as a case study. With a view to evaluating these from the point of efficiency, it delves into the recommendations of the TRC. Finally, the paper presents an evaluation of the proposals and puts forth reforms that must be introduced to give a fillip to exports from the textile sector.

Reforms in the UEDs

One of the important reforms of this budget relates to rationalising the UEDs through reduction in the number of rates. Since the existing structure is characterised by plethora of rates, it is essential that these rates are reduced as much as possible. This budget attempts in this direction through the twin measures of (i) converting specific excises into *ad valorem* rates[1], and (ii) of reducing the total number of rates to about half the existing number. In addition, the budget halves the number of exemption notifications. Since a large number of rates as well as exemptions complicates the tax structure and creates administrative inconvenience, it is certainly an important step towards rationalisation.

Also, it extends MODVAT to petroleum products (excluding high speed diesel) and to yarns which would bring about another 15 per cent of the basic excise revenue under MODVAT. It proposes to cover all capital goods and machinery under MODVAT. The extension of MODVAT is thus a major step towards introducing VAT.[2]

An attempt is made to reform the tax rates in the textile sector. The budget proposes to neutralise rates between fibres and yarns by proposing an excise duty of 20 per cent on all fibres and blended spun yarns. Thus, the polypropylene spun and acrylic spun yarn are taxable at the rate of 20 per cent. This would obviate the problems of classification. Also, it proposes a three-rate schedule of 60, 30, and 15 per cent on polyester filament yarns;

nylon and polypropylene (and PBT) yarn; and on viscose (nylone) filament yarn, as well as polyester silk and wollen yarn respectively. For industrial yarns, it proposes to have lower rates of 30 per cent on polyester filament yearn; 20 per cent on nylon tyre yarn, and 10 per cent on viscose filament yarn. Cotton yarn is taxable at the low rate of 5 per cent only.

Since the budget places heavy reliance on the supply side, the paper examines the reforms proposed in the budget to see whether these would provide a suitable environment for the purpose. As a case study, it takes up details of rationalisation of tax on one of the important sectors, *viz.*, the textile sector.

Tax Reforms in Textile Sector

Textile is the largest single industry in the country accounting for around 20 per cent of the total industrial output and providing employment to about 17 million people. Also, in terms of earning foreign exchange, it contributes nearly 30 per cent of the total value of exports. The trends in output from the industry, as given in Table 1, show that cotton continues to contribute 70 per cent of the total fabric production. In the context of such industrial structure of the textile industry, the tax proposals in the budget 1994-95 are as follows:

First, there are some changes in tax rates on inputs, these include increase in tax rate from 5 to 10 per cent[3] on auxiliary machines (such as OER spinning machines, shuttle-less looms, auto-comb winding machines and two for one twisters), and raising tax on almost all other inputs such as acids, hydrogen peroxide, bleaching paste and powder, sodium hydrosulphite, soda ash, DMT, PTA, MEG, acrylonitrile and caprolactum. All these inputs are taxed at 20 per cent against 15 per cent at present. However, there are some items on which tax has been reduced by 5 per cent. These include optical bleaching agents, organic surface active agents and other synthetic organic dyestuffs. Since these inputs get modvated, their cascading effect is eliminated. However, it does make difference if the inputs are used by the decentralised sector not covered under the MODVAT

Secondly, the tax rate on yarn has been made *ad valorem*. Prior to this, there were innumerable rates based on counts. These ranged from Re. 0.58 to Rs. 9.78 per kg. As shown in Table 2, in *ad valorem* terms the variation was from 1.17 per cent for yarns of 2/6 counts to 6.87 per cent for 100s weft carded yarns. The proposed *ad valorem* rate for cotton yarns now stands at 5 per cent for UED plus 15 per cent under Additional Duty (Textile and Textile Articles) Act bringing the total incidence to 5.75 per cent. Similarly, man-made fibres and yarns are taxed at one single rate of 23 per cent through adjustments in tax rates of various yarns. There is an increase in tax rate to 23 per cent on items such as polyester/cotton blended yarn (from 14.79 per cent) acrylic spun yarn (from 14.95 per cent), VSF spun yarn (from 15.45 per cent), and polyester staple fibre (from 19.46 per cent). At the same time there is a reduction in the tax rate to 23 per cent on items such as viscose staple fibre (from 33 per cent), acrylic staple fibre (from 26.69 per cent), and polyester/viscose blended yarn (from 25.7 per cent). However, two different rates exist: 5.75 per cent (as compared to 1.24 per cent, as at present) on sewing thread/industrial yarn, and 69 per cent (as against 85.19 per cent, as at present) on polyester filament yarn. Thus, the number of rates have been reduced considerably, although the number is still much higher than that recommended by the TRC.

Finally, the search for a revenue neutral rate has resulted in increasing the overall incidence on fabrics. It is clearly seen from Table 2 that the tax rate has gone up for the low priced fabrics. For example, there is an increase of Re. 0.25 per metre for a fabric costing Rs. 20.00 per meter and of Rs. 3.33 for a fabric costing Rs. 30 per meter. Likewise, an increase in tax rate is witnessed in blended/machine made fabrics. However, the incidence declines with the increase in price of the fabric. The incidence of the tax has also increased due to taxation of *chindis* and samples, so far exempt from the tax.

Whither Tax Reforms?

An evaluation of the proposals of tax reforms in the budget suggests that the simplification is a welcome step. Both in terms of converting specific rates into *ad valorem* rates and in terms of reducing the number of rates, the budget has attempted in the right direction. However, the speed of reforms is painfully slow. In fact, it was expected during the last budget that the number of rates would be brought down to two or three, as recommended by the TRC. Granting that the time available to the Finance Ministry was inadequate at that time, it is necessary to carry out this exercise during this budget.

The experience of reforms in various countries suggests that the speed in such reforms is crucial. All the reforms must be attempted as fast as possible. Also, the priorities are important. Adopting the reforms slowly or in bits and bursts affects relative prices. It leads to clash of vested interests and invites political interference causing great inertia to reforms. The delay in reforms ultimately defeats their very purpose. It is, therefore, extremely important that the rates are simplified as early as feasible[4] and possibly in just one go.[5]

While attempting to remove the complexity of the tax on textile sector, this budget has increased the overall incidence of the tax. Almost all the rates are on an increase. Some homework seems to have been attempted after the presentation of the budget to restore the tax incidence on texturised yarn to the pre- budget level.[6] However, the overall incidence is extremely high (Table 2). The increase in the incidence of the tax is contrary to the principles enunciated by the TRC and would in all probability have an adverse effect on the output as well as on the demand of the industry. The involved tax incidence at the earlier stages would affect export prospects due to cascading and pyramiding of the taxes.

In addition, the budget does not examine the problem of levy of UEDs on the captive consumption of yarn and the treatment of depot sales. Since these involve subjective assessment, it is essential to simplify necessary procedural requirements. This has not been attempted.

In confining the MOVDAT to yarn sector, the budget has created unhealthy competition between the unorganised and organised sectors. This is due to the fact that the process of manufacturing yarn has six major activities viz. (i) carding, (ii) spinning, (iii) doubling, (iv) dyeing, (v) raising and (vi) ball-packing. The value-added is approximately 100 per cent upto doubling and additional 100 per cent through the process involved in dyeing, raising and ball-backing. Since the unorganised sector purchases yarn from the organised sector which has already undergone the processes upto doubling, the proposed system of MODVAT extended up to yarn sector would make unorganised sector pay tax only upto the activities. However, the organised sector would have to pay upto the last stage. This would create disadvantageous situation for the composite mills which are required to pay tax upto the final sale price.

It is, therefore, important to rationalise the overall tax policy for the textile sector. In fact, the TRC has recommended that the VAT should be introduced to the overall textile sector (Government of India, 1992, p. 40). The Report suggests that the first stage reform should consist of introduction of MODVAT scheme till the yarn sector and applying the MODVAT principle to cotton textiles without subjecting grey fabrics to tax at the present time.[7] Further, the TRC recommends that the MODVAT scheme be extended to the composite mills in the cotton textile sector. Soon thereafter the same system be applied to synthetics and blended fabrics other than those made from filament yarn. These reforms have to be attempted immediately.

Whereas the requisite reforms in the textile sector are still awaited, some reforms in other sectors have been brought about, in undue haste. One such reform relates to extention of MODVAT to capital goods.

From the economic point of view, the priorities have to be set. This is especially important because the speed of reforms involves certain political factors (Bhagwati and Srinivasan, 1993). In this context, the views of the TRC for extention of MODVAT to capital goods are important. The TRC states that "the reduction in rates, the removal of concessions and the extension of coverage have to be undertaken simultaneously because ***only then*** all of them become possible" (TRC, Pt. I, p.36). Further, it suggests that the "extension of MODVAT credit for machinery not fully at the time of purchase but in instalments during a subsequent period of years which could be laid down in the law" (TRC, Pt. I, pp.39 and

172).

Unlike the above rationale of the TRC, the budget 1994-95 has decided to introduce MODVAT on capital goods in one go. Accordingly, the entire amount of duty would be credited in one instalment in the year of purchase/installation of the machinery. The revenue implications of this proposal is estimated to be Rs.800 crores. Presumably, this does not take into account the refund of countervailing duty (CVD) on the imports of machinery, which would also get MODVAT credit. Thus, the overall loss of revenue due to MODVAT of UEDs and CVDs would be substantial.

Similar haste in reform relates to extension of MODVAT to petroleum products. The TRC in this regard opined that "in any case petroleum and tobacco have to be subjected to high rates and their use discouraged. Accordingly, it recommended that these items need not be brought under the proposed system" (TRC, Pt. I, p.40). Further, the TRC recommends that "in addition to the VAT at the manufacturing stage, there should be excises on a gross value basis on a few commodities, such as petroleum products, tobacco products and certain luxury goods....These excises would serve to achieve the objectives of sumptuary taxation as well as achieving a degree of progression in the taxation of consumption" (TRC, Pt. I, P.39). Thus, contrary to the recommendations of the TRC, the budget 1994-95 extends MODVAT to petroleum products at the cost of loss of revenue to the tune of Rs.300 crores. In addition, it does not attempt any levy of sumptuary excises on these products, which are prevalent all over the world. For example, a large number of OECD countries levy additional excise duties to attain progressivity. Similarly, in the Asian continent Korea levies special excise tax on luxury items and the rates vary from 5 to 100 per cent (Purohit 1993, pp. 43-

46).

Revenue Implications

Since the reforms have revenue implications, some of the reforms have to be attempted first to enable the other reforms to follow the suit. On this count, the budget 1994-95 has faltered. Some of the reforms are painfully slow, while others are in undue haste. The failure to keep pace with the desired priorities and requisite speed has created serious revenue implications which in turn hamper necessary reforms.

One such reform relates to the undue haste in introducing MODVAT to petroleum products and to capital goods. It has cost the exchequer Rs.1,150 crores, which is just one-fifth of the total revenue loss due to the tax proposals, as shown in Table 3. This suggests that the budget could have done extremely well in extending certain other priority reforms by not implementing reforms related to petroleum products and capital goods. These were neither recommended by the TRC nor immediately necessary for tax reforms in the country. In addition, sumptuary excises could have been levied to yield a substantial revenue under the UEDs.

Further, the introduction of VAT to petroleum and capital goods sector has made the government to raise resources from the other sectors (Table 3). Additional resources have been mobilised by increasing tax rate on chemicals (Rs.227 crore), iron and steel (Rs.350 crore), other raw materials (Rs.430 crore) cigarettes (Rs.320 crore) and textiles (Rs.240 crore). These sectors would be adversely affected. A lot more rationalisation could have been attempted if the revenue implications of extension of MODVAT to capital goods and petroleum was avoided.

The revenue implications for textile sector is both from the yarn and the fabrics. As regard yarn, the budget has raised the tax rates for most of the counts. On estimated turnover of Rs. 94,505 crore of dutiable cotton yarn, the net additional yield works out to Rs. 136 crore. The incidence of duty on polyester/cotton blended yarn has more than doubled. Consequently, the additional burden works out to Rs. 77 crore. Similarly, increase in duty on viscose staple fibre spun yarn on an estimated production of 75 million kg. for domestic consumption would yield Rs. 65 crore. On the same time the additional yield would be Rs. 40 crore for acrylic spun yarn, Rs. 50 crore for sewing thread and industrial yarn, Rs. 60 crore for cotton fabrics, Rs. 63 crore for blended/man-made fabrics and Rs. 10 crore for chindis and samples. Thus, the revenue implications for textile sector would be approximately Rs. 500 crore, as against estimates of Rs. 240 crore.

The Proposed Reforms

The above analysis indicates that, there is a need to have a re-thinking about reforms under the UEDs. To set the pace of reforms in proper perspective, it is important to accord due priority to reforms urgently needed. Once the MODVAT is withdrawn from petroleum and capital goods sector and sumptuary excises are levied on select items as recommended by the TRC, the budget would have enough resources to attempt the priority reforms as follows:

Introducing Three-Rate Schedule: An important reform in restructuring UEDs is to have a rate structure with just two or three rates. This is a pre- requisite to further reforms in the UEDs (Purohit, 1993a). As recommended by the TRC we could have 10, 15 or 20 per cent rates. In addition, a higher rates of 20-30 per cent be levied on sumptuary goods bringing the total incidence on such goods to 30, 40 or 50 per cent (TRC, Final Report, Pt. II, pp. 128-132, Annexure XI.I).

Extending MODVAT to Textile Sector: With a view to rationalising the tax policy for the textile sector it is important that the MODVAT is not confined to input stage. It must be moved beyond yarn and upto fabrics. Such an extension would sort out the intra-sectoral problems of competition between the organised and the unorganised sectors. Such an extension would pose no problems for the organised sector where the mills would in any case be paying tax at each stage after getting MODVAT credit for the tax paid at the earlier stages. However, for the unorganised sector there might be some competitive advantage, although it would be marginal and only at the initial stage. In the overall process covering all activities from yarn to fabrics, the unorganised sector would not have any gains. In fact, this sector would be put to a competitive loss if the yarn is sold once more to the composite mill or the grey fabrics are sold to those mills for further processing. This is because no MODVAT credit would be available to the purchaser due to the break in the chain. With a view to putting the unorganised sector at a reasonable advantage, we propose that a notional credit be given when the unorganised sector sells yarn to the mills after dyeing, raising and ball-packing. Since this sector would have paid MODVAT on carding, spinning and doubling activities in any case to a mill, a notional credit could be estimated for the tax so paid. Similarly, when grey fabrics are sold to a mill, a notional credit could be estimated to put these units back to the system of MODVAT. Such schemes are prevalent in various countries. Adopting the system of notional credit would put both the sectors at par.

Exemption of Chindis and Samples: An important feature of the recent budget is the extension of tax base to chindis and samples. Chindis are normally considered a value loss in produciton.[8] Similarly, samples have no commercial value in business. Hence it is irrational to tax *chindis* and samples. In fact, *chindis* are among various aspects of value loss in production. Value loss of *chindis* could be defined as follows:

$$V(P) = \frac{\sum_{i=1}^{n} P_i V_i}{\sum_{i=1}^{n} P_i}$$

Where, n = number of sorts in a mill;

V_i = per cent value loss of i^{th} sort; and

P_i = total production of i^{th} sort

The production loss estimated as per the above method accounts for loss due to chindis, i.e., bona-fide cut pieces which are (a) 23 cms or less in length; (b) more than 23 cms. in length but which are not more than 7.5 cms in width and (c) man-made fabrics of all kinds, not more than 30.5 cms. in width. According to a survey report of Ahmedabad Textiles Industry's Research Association (ATIRA), the value loss on account of chindis is 0.8 per cent of the total cotton cloth production (ATIRA, 1985). In addition, all sorts of samples (i.e, samples of woollen, cotton and man-made fabrics) are exempted because these are not used for sale. The samples are made from fresh cloth. Hence, these are a part of sales-cost.

An estimate of sales-value loss is that upto 0.2 per cent of the output is used for samples. Since both these components along with fents, rags, and flag allowance are nothing but value-loss in production, it is advisable to revert back to grant of exemption to these items under the UEDs.

Procedural Reforms: Finally, an important reform relates to administrative procedures. The budget has attempted to simpify the procedure of approval of price lists. So far the practice was to have approval of price lists from the excise department prior to clearance of goods from the factory. Elimination of this archaic procedure would greatly help the industry. However, in regard to the procedural reforms the budget has tackled the tip of the iceberg. In fact, there are various time consuming and involved procedures both in regard to declarative obligations and accounting obligations (Purohit, 1993c). The budget has not looked into the simplification of these aspects. At present, there are numerous forms (RG-1, RT-12, Form 4, RT-11) in addition to gate passes (GP-1, GP-2)[9]. Also, the accounting requirements include maintaining accounts of forms RG-23 Pt.1 (for inputs received) RG-23 Pt.2 (for duty credit) and a personal ledger account (PLA) for adjustment of tax credit[10]. These archaic systems of tax management need to be simplified alongwith the rationalisation of the tax.

To conclude, the process of tax reform initiated earlier has been carried forward through the budget 1994-95. However, the pace of reforms is erratic; it is painfully slow in some aspects and unduly fast in others. Also, the approach to reforms is piecemeal. The most important reform relates to bringing down the number of rates to two or three. Without this reform VAT cannot be introduced. The priorities in reform are equally important. As suggested by the TRC, the extension of MODVAT to petroleum and capital goods sector should wait and the textile sector must get highest priority for its coverage under MODVAT. This could be accomplished with a system of notional credit for the unorganised sector.

Table 1
Production from Textile Industry

Item	Unit	1988-89	1989-90	1990-91	1991-92	1992-93*
A. YARN	Million kg.					
1. Spun Yarn		1587	1652	1824	1806	1817
2. Filament Yarn						
(a) Cellulosic		44	49	51	53	50
(b) Synthetic		179	195	225	218	278
B. STAPLE FIBRE	Million kg.					
(a) Cellulosic		126	148	160	158	159
(b) Synthetic		138	157	176	183	NA
C. Cloth	Million Sq. Mtrs.					
(a) Cotton Cloth		13658	13936	15431	14647	13054
(i) Mill Sector		2100	1957	1859	1651	1453
(ii) Decentralised Sector		11558	11979	13572	12996	11601
(b) Mixed/blended cloth		2321	2118	2371	2712	2479
(i) Mill Sector		782	658	689	666	553
(ii) Decentralised Sector		1539	1460	1682	2046	1926
(c) Man-made fibre fabrics		4039	4544	5126	5229	NA
(i) Mill Sector		20	52	41	59	NA
(ii) Decentralised Sector		4019	4492	5085	5170	NA
Export of Textiles, fabrics and manufacturing (of which cotton yarn, fabrics made-ups etc. as percent of export of textiles)		18 (31)	20 (28)	21 (31)	22.5 (32)	23 (31)

Source: Government of India (1994), *Economic Survey 1993-94*, New Delhi.

Notes: * = Provisional figures
NA = Not available

Table 2
Pre- and Post-Budget Tax Rates on Textile Sector

Counts	Pre-Budget (%)	Post-Budget (%)
2/6s	1.17	5.75
10s	1.17	5.75
20s	2.80	5.75
24s	2.54	5.75
34s	4.74	5.75
40s	4.13	5.75
60s (Weft carded)	3.02	5.75
70s (Warp combed)	4.89	5.75
80s (Warp carded)	5.13	5.75
80s (Warp combed)	4.32	5.75
100s (combed)	5.89	5.75
100s (Weft carded)	6.87	5.75
120s (Combed)	4.89	5.75
Viscose staple Fibre	33	23
Polyester Staple Fibre	19.46	23
Acrylic Staple Fibre	26.69	23
Polyester Cotton Blended Yarn	14.79	23
Polyester/Viscose Blended Yarn	25.7	23
VSF Spun Yarn	15.45	23
Acrylic Spun Yarn	Exempt	23
Acrylic Staple Fibre	14.95	23
Saving thread (40s)	1.24	5.75
Polyester Filament Yarn	85.19	69
Fabric priced at Rs. 20	7.5	10
Rs. 25	7.0	10
Rs. 30	6.67	10
Rs. 35	6.43	10
Rs. 40	6.25	10
Rs. 50	9.00	10
Rs. 60	10.8	10
Rs. 75	12.67	10
Rs. 100	14.5	10

Source: Budget Documents and Notifications.

Table 3

Revenue Effect of Changes in Excise Duties

(Rs. Crore)

Food items	26
Pharmaceutical products	25
General consumption items	-18
Clocks & watches	7
Textiles	240
Raw materials	430
Sumptuary items:	
- Cigarettes	320
- Motor vehicles and parts	-38
- Cosmetics	-25
- Other sumptuary items	-67
Capital goods including:	
- A.C. and refrigeration	3
- Electrical machinery	-100
- Medical instruments	3
Small Scale Industries	100
Extension of MODVAT (Petroleum plus Capital goods)	-1150

Source: Budget Document, 1994-95.

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Notes

1. Rate of Additional Excise Duty in lieu of Sales Tax (AEDILST) have also be made *ad valorem*. For example AEDILST on cotton fabrics ranges between 5 and 10 per cnet and other fabrics and man-made fabrics between 10 and 20 per cent.

2. Here it is important to note that at present MODVAT does not include tobacco, textiles, petroleum products, matches and cinematographic films which yield approximately half the revenue of UEDs as per the revised estimates of 1993-94.

3. The tax rate continues to be the same (10 per cent) for all other machines. In addition, the budget provides MODVAT credit for capital goods.

4. Most VAT-countries of the world levy rates ranging from one to three only. In fact, many of the countries have just one rate. See Purohit, Mahesh C. (1993 a and b).

5. It is necessary to attempt such a rationalisation in just one go. Once we achieve the objective of three-rate schedule, almost all the problems of notifications and variations in rates and relative prices through such rates would be over. In fact, the present procedure of issuing notifications for changes in tax rates which serves no useful purpose would automatically be inoperative sectors.

6. Economic Times, March 30, 1994.

7. The TRC has chosen the cotton sector both because this sector has comparative advantage in this sector and because the rate of duty on cotton yarn is not unreasonably high. However, the TRC feels that "MODVAT principle could be applied to man-made and blended fabrics other than htose made from filament yarn with the help of the same system as for cotton textiles, TRC, p. 42.

8. Value loss is the difference between the sale value which would have been realised if 100 per cent cloth would have been sold as sound and at actual sale value.

9. The introduction of invoice system would do away with the procedure of subsidiary gate passes, as notified by the Central Board of Excise and Customs on March 31, 1994. However, gate passes or certificate issued before March 31, 1994 would remain valid for claiming MODVAT till June 30, 1994.

10. Economic Times, March 30, 1994.