



**AUTOMATION OF CENTRAL EXCISE AND SERVICE
TAX**

ACES



AUTOMATION IN CENTRAL EXCISE AND SERVICE TAX

I. INTRODUCTION

CBEC has developed a new software application called Automation of Central Excise and Service Tax (ACES), which aims at improving tax-payer services, transparency, accountability and efficiency in the indirect tax administration in India. This is a Mission Mode project (MMP) of the Prime Minister under the e-governance plan of the Govt. of India and is likely to be rolled-out in phases by end-September, 2008 in some selected pilot Commissionerates and thereafter nationally by June 2009. This application, developed by Wipro, aims to automate all major processes in Central Excise and Service Tax through a workflow-based application. ACES is the second generation software, which will gradually replace the current applications of SERMON, SACER, SAPS, STREMS, used in Central Excise and Service Tax for capturing returns and registration details of the assessees.

II. MODULES

The ACES application has four interfaces for:

- Central Excise Assesseees
- Service Tax Assesseees
- Central Excise Departmental Officers and
- Service Tax Departmental Officers.

It encompasses the entire gamut of Central Excise and Service Tax processes - registration, returns, accounting and reconciliation, refunds, dispute resolution, audit, provisional assessment, exports, claims, intimations and permissions. It is divided into the following modules:

- (i) Access Control of Users (ACL)
- (ii) Registration(REGN): Registration of Assesseees Central Excise & Service Tax
- (iii) Returns (RET): Electronic filing of Central Excise & Service Tax Returns and their risk-based selection for scrutiny
- (iv) CLI: Electronic filing of claims, intimations and permissions by assesseees and their processing by the departmental officers
- (v) Refund (REF): Electronic filing of Refund Claims and their processing
- (vi) Provisional Assessment (PRA): Electronic filing of request for provisional assessment and its processing by the departmental officers.
- (vii) Assessee Running Account: Provide instant information on assesseees – credits, debits, Cenvat credits, liabilities (confirmed and unconfirmed demands), status of Bonds and Bank guarantees.
- (viii) Dispute Settlement Resolution (DSR): Creation of case portfolios, Recording Information/Intelligence, Issuing Summons, Search Warrants, Show Cause Notices, Personal Hearing Memos, Adjudication Orders, Appellate decisions and related processes.
- (ix) Automated Report Generation: Revenue Reconciliation



- (Receipt of payment information from Banks through NSDL using the EASIEST information and reconciliation with the return submitted by the assessee)
- (x) Audit Module involving selection of units based on risk parameters.
 - (xi) Export Module for processing export related transactions with facility for verification of proof of export through interface with ICES.

Roll out of the ACES application is expected to result in a major change in the way the Central Excise and Service Tax formations conduct their regular business vis-à-vis the assessees. E-filing and e-processing of documents will replace manual filing and handling of paper documents, making our offices almost paperless. Since ACES is a workflow-based application, it will impact the way in which we conduct our business on a daily basis. Officers at all levels will be required to work on the application hosted on a central server by connecting to it from their thin clients through a wide area network or the internet.

Here is a brief description of the important features of ACES:

Access Control - The officers will be allowed access to the system after allocation of user ID and Password by the system and allotted a specified jurisdiction (Commissionerate, Division or Range etc.) with a set of activities through the ACL module. The officers, who will be given a password initially by the system, are required to change their passwords at periodic intervals, to be intimated by the system and they should not share it with anyone. In case, any officer is on leave or transferred or has a heavy workload, the system will help the senior officers in transferring his pending work to another officer so that work can proceed smoothly. The system would maintain a log of all actions, of every departmental user, creating a transparent, efficient and easy-to-monitor system. Since the application is enabled to accept digitally signed documents, in due course of time, officers and the assessees will be required to apply for Digital Signature Certificates (DSCs) from the i-Cert authorities, details of the procedure are available on the departmental website (<https://www.icert.gov.in>). Subject to the approval of the Board, ACES is likely to be rolled out initially without DSCs.

The officers posted in the Commissionerates and Divisions will access the system through a local area network (LAN) and the wide area network (WAN). The officers in the stand-alone ranges, those which are not located in the same building where Commissionerate or the Divisions are located, have to access the system through internet (broadband or dial-up). If any HQs or Divisional office is likely to be shifted to a different building in the near future, the DGS should be kept informed of the plan so that LAN and WAN can be installed in the new locations and during the transitional period, users in these offices can access the ACES through the internet.

On a typical working day when the Range Officer logs on to the system using



his user ID and password, he would be connected to the central server in Delhi through the network/internet and a list of tasks pending his attention would appear on the monitor of his computer. The system would give timelines of the pending tasks and also remind him of the various tasks about deadlines and delays, if any. A similar screen would be available to the officers in the Division and the HQrs, including the Divisional AC/DC, the Joint/ Additional Commissioner, the Commissioner and the Zonal Chief Commissioner.

Registration - The Assesseees can log onto the system, through internet and get himself registered with the system through a process called "Registration with ACES", by furnishing a self-chosen user ID and e-mail ID. The system will then generate a password and send it to him by e-mail. The user then has to re-log-in and proceed with the statutory registration with the department by filling-in Forms A 1, A 2 or as the case may be. For security reasons, he has to change his password immediately. The system would instantaneously generate a RC number after which the Registration request goes to AC/DC, AC/DC generates the RC and a message to this effect is sent to the assessee electronically. Depending on the option chosen by the assessee, the RC can be sent by mail or can be collected in person. The AC/DC then assigns it to the Range Superintendent for physical verification (PV) of the unit. The RO submits the PV Report by choosing one of the three recommendations from the system: (a) maintain status quo - verified, found OK, (b) re-issue the certificate based on amendment or (c) revoke the certificate.

The existing assesseees need not have to take fresh registrations but they have to register with the ACES application only. The system will automatically send mails to the e-mail IDs of the assesseees, as available in the existing registration data base, indicating a PIN no, which the assesseees need to enter to get themselves registered with the system. It is, therefore, essential that the assesseees inform their correct and latest e-mail IDs to the department at the earliest, which should be entered by the departmental officers in the SACER and SAPS data base.

Returns - The assesseees can electronically file returns by choosing one of the three facilities to be offered by the department: (a) they can file it online, or (b) download the off-line return utilities, which can be filled-in leisurely and uploaded to the system through the internet or (c) visit a nearby service provider (NSDL) for digitizing the manual Returns and uploading the same through them on payment of service charges. Since the off-line returns will be subjected to some in-built validations, it may take sometime for the system to reflect its status- filed or rejected. The rejected return can be resubmitted after corrections. The assesseees should, therefore, be advised to check the status of their return by logging into the ACES after a few hours.

All the returns would be digitized and stored in the system. The software would then check it for the correctness of the information such as registration number (this validation is only for the returns which are filed through off-line utility), classification, notification, rate of duty, challans used for duty payment etc. Any discrepancies that cannot be resolved by the system would be sent



to the Range Superintendent's screen for review and correction (R and C). The returns will pass through Mini Risk Parameters, based on instructions issued by the Board from time to time and will be marked as risky or not. The AC/DC can decide whether to initiate further course of action like subjecting the unit to audit or anti-evasion process. If as a result of the scrutiny, any differential duty is to be collected by the Department, the system would assist the officer in the preparation of the show cause notice, through the Dispute Settlement Resolution (DSR) module.

Dispute Settlement Resolution (DSR) - The dispute resolution module is designed to handle all aspects of litigation beginning from the creation of a case portfolio to the issuance of adjudication orders. An anti evasion report, audit report or even a return could be a trigger for issue of a show cause notice. The SCN would be generated by the Superintendent, based on the triggering document, and issued by the officer authorized to issue it.

The assesseees will be automatically intimated by the system about the issuance of SCN, and they can electronically file replies to SCNs. Similarly, intimations can be sent by the system regarding date and time of personal hearing, details of which will be captured on a screen. The essential portions of the order in original such as the amount of duty confirmed, penalty, fine, sections of the law invoked, the date of issue of the order etc. would need to be fed into a screen so that tracking of the dispute till the realization of dues can be done. This would aid the system in tracking receipt of payment against pending liabilities indicated in the return. The system would accordingly calculate interest and compute the overall liability.

The assesseees will also be electronically informed of the issuance of order-in-original, which they can view online. They can either accept the order, make payments to the department. If not satisfied, they can electronically file appeals with the Commissioner (Appeals).

Review and Appeal - ACES has also incorporated the process of review so that the adjudication orders can be reviewed by the competent authorities and remedial measures taken including online filing of appeals against such orders.

Presently, ACES is not enabled to capture online the processes of the CESTAT, Settlement Commissions, High Courts and the Supreme Court but their decisions can be captured in the system for further follow up action. The final liabilities of the assesseees, arising out of any of these orders will be automatically reflected in the assesseees' running account.

Digital Signature - Digital signature is an integral part of ACES and every document submitted to the system can be signed digitally. This is applicable to all categories of users -the assessee would digitally sign all the documents while submitting and the Departmental users would also affix their digital signatures on any electronic communication dispatched through the system – whether for internal purposes or to the assessee.



All these transactions will be legally valid in the workflow environment, in compliance with the Information Technology Act 2000. For operational reasons, subject to the approval of the Board, the use of Digital Signature Certificates may be deferred till the system stabilizes and the users are fully familiar with the use of the system.

III. UNIQUE FEATURES OF ACES:

1. It is a centralized **web-based application** accessible through the Internet.
2. Online **authentication of PAN** with the Income Tax database has been provided. If any assessee wrongly uses the PAN number of any other person, the system will indicate the same and flash the name of the actual holder of PAN.
3. **Reports and EASIEST** - The ACES application will integrate the EASIEST application so that information of all payments made through the banks using GAR 7 challans, will be received from NSDL and stored in the ACES system. This information of challans coming through the EASIEST stream will be automatically compared by the system with the information of payments made by the assessees in their Returns, filed with the ACES system so that revenue can be correctly reconciled and reliable reports generated. In case of mismatch, returns will be sent to the range Superintendent for review and correction.
4. **Interfaces with the Indian Customs EDI System (ICES)** - ACES will have interface with the ICES so that export related transactions can be quickly processed. For example, the system will access the ICES system and after verifying the proof of exports with the details in the ARE forms, will automatically credit the bonds with proportionate amount, executed with the Central Excise authorities.

In case of import of goods availing exemption notifications, procedure has been built-in to facilitate such transactions by providing interface between ACES and ICES. However, some of these facilities may not be immediately available until the existing Customs application (ICES version 1) is migrated to the version 1.5.

IV. BENEFITS TO THE ASSESSEES

1. Online registration and amendment of registration details
2. **Electronic filing of all documents** such as applications for registration, returns, claims, permissions and intimations; provisional assessment request, export documents, refund request, additional facility of filing through the offline downloadable utility of returns [ER 1, 2, 3,4,5,6, Dealer Return, and ST3].
3. **Online tracking** of the status of applications, claims, and permissions
4. **Online view** facility to see a few documents like RC, Returns, SCN,



Order-in-Original etc.

5. **Internal messaging system** for faster communication of information viz. on issuance of RC, SCN or O-i-O, system will send messages to the assesseees.
6. Faster, system supported processing of refund claims, faster resolution of disputes on account of system facilitated resolution mechanisms leading to increased operational efficiencies viz. assesseees can electronically file replies to SCNs etc.
7. Single source information on all their financial transactions with CBEC - Automatic updates of running bond accounts upon procurement of goods for export [CT], despatch for export [ARE] and on receipt of proof of export, duty payments through cash and CENVAT credit, returns, running bond accounts, refund claims, payments against show cause notices, Order-In-Originals, appeals with Commissioner Appeals etc.

V. TAXPAYER SERVICES:

The following chart will indicate the variety of services that can be offered using the ACES application. The documents that the taxpayer can submit electronically by logging on to the application i.e. file the document, track the progress of the document if it pertains to permissions, view the status as it is tracked are separately indicated. If the taxpayer submits a document seeking permission, then the view facility for the status is without the departmental officers' comments.

TAXPAYER SERVICES – ACES: CENTRAL EXCISE					
SI No	Process	Document	file	view	track
1	Registration	A1, A2, A3, Declaration.	Yes	Yes	Yes
		RC	NA	Yes	NA
		Amend	Yes	Yes	Yes
		Surrender Request	Yes	No	Yes
2	Return	ER1, ER2, ER3, ER4, ER5, ER6, Dealer Return	Yes	Yes	Yes
		Running Account	NA	Yes	NA
		Provisional Assessment request	Yes	Yes	Yes
3	Provisional assessment	Provisional Assessment request	Yes	Yes	Yes
		Provisional Assessment Order	Na	Yes	NA
		B2 General Bond	Na	Yes	NA
		General Bond	Na	Yes	NA
4	Claims permissions & Intimations	Extension Request	Yes	Yes	Yes
		Permission for multiple invoices, intimation regarding usage and authorized issuer of	Yes	Yes	Yes



		invoices			
		Permission for multiple invoices, intimation regarding cancellation	Yes	Yes	Yes
		Intimation regarding maintenance/preparation of records	Yes	Yes	NA
		Receipt of Imported Goods	Yes	Yes	NA
		Receipt of Imported Goods - Form Ware House	Yes	Yes	NA
		Account Removal	Yes	Yes	NA
		Application for remission of duty	Yes	Yes	Yes
		Application for permission to pay duty and remove final products from job workers premises.	Yes	Yes	Yes
		Application for availing the benefit of SSI exemption.	Yes	Yes	Yes
		Application for Transfer of CENVAT Credit while shifting of factory, change in conversion etc	Yes	Yes	Yes
		Procurement of excisable goods at concessional rate of duty.	Yes	Yes	Yes
		procurement of excisable goods -Monthly Return	Yes	Yes	Yes
		Application for Permission to remove semi-furnished goods for certain purposes.	Yes	Yes	Yes
		Application for Permission to remove Excisable goods for carrying out tests.	Yes	Yes	Yes
5	Refund	Refund Request Claim	Yes	Yes	Yes
		Refund Order	NA	Yes	NA
6	Exports	Letter Of Undertaking	NA	Yes	NA



		Declaration Form	Yes	Yes	Yes
		CT1	Yes	Yes	Yes
		CT2	Yes	Yes	Yes
		CT3	Yes	Yes	Yes
		Procurement Certificate	Yes	Yes	Yes
		ARE3	Yes	Yes	Yes
		ARE3A	Yes	Yes	Yes
		Certificate of Warehousing	Yes	Yes	Yes
		ARE1	Yes	Yes	Yes
		ARE2	Yes	Yes	Yes
		Nepal Invoice	Yes	Yes	Yes
		Re-Entry of Goods	Yes	Yes	Yes
		Diversion into DTA - Application	Yes	Yes	Yes
		Diversion into DTA - Intimation	Yes	Yes	Yes
		No Dues for De-Bonding	Yes	Yes	Yes
7	Dispute Resolution	SCN	No	Yes	NA
		Reply to SCN	Yes	Yes	NA
		Demand Note	No	Yes	NA
		Reply to Demand Note	Yes	Yes	NA
		Order In Original	No	Yes	NA
		Order In Appeals	No	Yes	NA
		EA-1	Yes	Yes	NA
		EA-3	Yes	Yes	NA
		EA-4	Yes	Yes	NA

TAXPAYER SERVICES – ACES : SERVICE TAX

SI No	Process	Document	file	view	track
1	Registration	ST-1	Yes	yes	NA
		ST-2	NA	Yes	NA
		Amend	Yes	yes	yes
		Surrender	Yes	yes	yes
2	Return	ST-3	Yes	Yes	NA
		Amend ST-3	Yes	Yes	NA
		Running Account	NA	Yes	NA
3	Provisional assessment	File ST-3A	Yes	Yes	NA
4	Refund	Refund Request	Yes	yes	yes



		Refund Order	NA	yes	NA
5	Dispute Resolution	SCN	NA	Yes	NA
		Reply to SCN	Yes	Yes	NA
		Demand Note	No	Yes	NA
		Reply to Demand Note	Yes	Yes	NA
		Order In Original	NA	Yes	NA
		Order In Appeals	NA	Yes	NA
		EA-1	Yes	Yes	NA
		EA-3	Yes	Yes	NA
		EA-4	Yes	Yes	NA

VI. BENEFITS TO THE DEPARTMENTAL OFFICERS

The ACES application will greatly assist the departmental officers in discharging their duties:

1. All the critical data elements like Registration No, PAN No. Classification of Goods, CETSH NO, Notification No, Rate of Duty etc. will be automatically validated by the system.
2. Automatic alerts for the pending tasks when deadline is approaching, this will help in managing tasks in a better fashion.
3. The returns will be subjected to a risk-based scrutiny. If any assessee has not filed any return for the previous period, the system will automatically alert the departmental officer, thereby tackling the problem of missing returns.
4. The directories are to be maintained centrally so that there is uniformity in application of laws, procedures, notifications and rates of duty. Budgetary and other changes will be centrally fed into the system through a special patch release process, which will take the burden off the field staff.
5. One unified view of the assessee's running and running bond account, which will help officers in tracking the pending liabilities at real time.
6. This will help in generating reliable reports on revenue and other special reports at Commissionerate and All-India level so that the field level staff can better utilize their time for other important assignments.
7. This will ensure that statutory timelines in the disposal of various items of work are adhered to, delays avoided, bonds, bank guarantees and liabilities are better monitored by the staff.



8. The hardware, network and the applications will be centrally maintained unlike the present system of decentralized maintenance systems.
9. Provide better Management Information System (MIS) for proper and timely supervision of work at all levels.
10. It will also aid in better audit by aggregating the data strewn across the system, thus providing a unified view of the assessee, and in preventing and detecting evasion of duties.
11. The system will also help the officers in better planning and utilization of resources deployed for the annual audit.

In order to maximize the benefits from the system it is essential that all the users exercise discipline in the capture of information. This is because the system would not be in a position to reject any information, which it cannot validate. Quality data would improve the integrity of information and assist in generation of correct reports, while providing time to the departmental officers to focus on other important assignments.

VII. Training

The DGS, jointly with NACEN, has undertaken Training-of-Trainers (TOT) programmes for officers of the six pilot locations. These trainers in turn will train other officers in other Commissionerates. Besides, for the benefit of the departmental officers and the assessees, DGS is developing a Learning Management Software (LMS), which is a multi-media based self-learning application, which will be hosted on the website and can also be made available in CDs. User Manuals and FAQs will also be prepared and given to the users.

VII. Preparatory Work

All the Commissioner are required to undertake the following preparatory work:

1. Nominate a nodal officer, preferably of the rank of JC/ADC, to act as the Systems Manager.
2. Details including the e-mail IDs of the Chief Commissioners, Commissioners, the Nodal officer (JC/ADC) and four other e-savvy officers (2 ACs/Dcs and 2 Superintendents) should be sent to the DG Systems immediately, in a prescribed proforma so that DGS can create user IDs for these officers to enable them to work on ACES.
3. Get the registration data base of the assessees updated in SACER and SAPS by incorporating the e-mail IDs of the assessees for ACES-related communications.
4. Provide broadband facilities to all the Range, Divisional and HQrs offices.

This is just a beginning of e-governance in Central Excise and Service Tax and as we start using this application, there may be many more suggestions for improving the system and with it the quality of service.