

F.No. 267/8/2002-CX8

Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

Subject: Accountal of Petroleum Products movements through pipelines without payment of duty.

I am directed to refer to the present procedure of Accountal of Petroleum Products movements through pipelines without payment of duty governed by instructions of Board vide letter 20/1/66-CX III dated 12.5.66 as amended by letter F.No. 11A/14/70-CX8 dated 7.6.71. As per these instructions, the consignment wise ARE-3 is generated at the refinery end and the reconciliation is carried out annually. At the end of the year, the quantities of 'line fill' and 'intermix' are determined and the account of dispatch through the pipeline and receipts at various installations is submitted. The gain and/or loss are determined after considering the quantities of 'line fill' and 'intermix'. It was represented to Board that the present system of consignment wise generation of ARE-3 is causing disputes in getting the warehousing certificates within the prescribed period of 90 days as it is not possible in the pipe line movement to identify the destination at the time of dispatch of petroleum products from refinery due to the pumping of the product continuously to multiple tap off points. Accordingly, the matter was examined by the Board in consultation with the oil companies and the following procedure is being prescribed.

(a)	The refineries can generate one ARE-3 on quarterly basis for one product for one destination at the end of each quarter within fifteen days of the end of the quarter. In other words, if 'N' no. of the petroleum products are sent to 'N' no. of destinations, in each quarter there shall be N x N ARE-3 at the refinery end in each quarter. (It is felt that at the end of the quarter, the refinery should be able to know the destination product-wise).
(b)	The receiving Commissionerate at the tapping off points can issue the re-warehousing certificate ARE-3 wise as per the receipt at their end. These re-warehousing certificates should be acceptable to jurisdictional Central Excise Officer at refinery end in the first instance, though provisionally.
(c)	At the end of the year, when annual pipeline accountal takes place in the oil companies, the reconciliation can be carried out by way of a statement to be submitted by oil companies having refineries showing the actual quantity dispatched, the quantity re-warehoused and the gain and loss in respect of each product and each destination.
(d)	The annual account should be submitted by the oil companies within 60 days from the end of the financial year which should be certified by a firm of practicing Chartered Accountants. The necessary assessment order may be issued within 60 days of the receipt of the annual account.
(e)	The requirement of D-3 intimation and consignment-wise AR-3A/Annexure-A/ARE-3 may be dispensed with.
(f)	The limit of transit loss to be condoned shall be 0.25 percent as per the existing guidelines.
(g)	Wherever the imported and indigenous products are involved, the annual reconciliation statement should give the details separately for the purpose of reconciliation.
(h)	Wherever, shortages occur, the assessment may ordinarily be carried out on the basis of highest value and highest rate of duty applicable for the particular product during the quarter/ period under consideration unless the assessee establishes that the shortages relate to a particular batch for which the value and rate of duty is not in dispute.

2. The above procedure shall be applicable to new as well as existing pipelines. It may be seen that for the purpose of filing ER-1, the quantity cleared without payment of duty is required to be mentioned which should be available with the refineries in terms of total quantity dispatched without payment of duty. Therefore, there should not be any difficulty in filing monthly return with this procedure. Similarly, the duty demand for the shortage assignable to a particular quarter can be raised at the end of the quarter. For all other shortages not assignable to a particular period, demands may be raised if necessary, at the end of the year when the annual reconciliation statement is available. Regarding the limit of condonation of losses, it may be emphasized that this is the maximum limit to which the losses can be condoned. If it is felt that there is improper accountal of the goods or the condonation which is claimed by the assessee is not supported by the documents, action to safeguard the interest of the revenue should be taken.

3. The jurisdictional Commissioners are requested to extend the time limit for submission of warehousing certificates wherever necessary, as envisaged in para 3 of Board's circular 579/16/2001-CX dated 26.6.2001 issued under rule 20 of Central Excise Rules, 2002. Chief Commissioners/ Jurisdictional Commissioners are requested to bring to the notice of the Board the difficulties if any, in implementing the new procedure. Jurisdictional Commissioners may issue supplementary instructions on the accountal procedure of petroleum products through pipelines without payment of duty consistent with the above procedure. The existing instructions on the subject are modified to the extent mentioned above. This procedure shall come into force w.e.f. 1.10.2002.

4. Trade and field formations may be informed suitably.

5. Receipt of the circular may be acknowledged.

6. Hindi version shall follow.