

Frequently asked questions on Machine Based levy in case of Chewing Tobacco, Jarda Scented Tobacco and Gutkha

1. What are the effective duty rates of central excise on tobacco and tobacco products?

The effective duty rates on tobacco and tobacco products have been notified vide notification No.s 03/2025-Central Excise and notification No.s 04/2025-Central Excise both dated 31.12.2025. These duty rates will come into effect from 1st February, 2026.

2. Where are the Chewing Tobacco, Jarda Scented Tobacco and Gutkha Packing Machines (Capacity Determination and Collection of Duty) Rules 2026 provided for?

The Rules have been notified vide notification No. 05/2025-Central Excise (N.T.) dated 31.12.2025. These Rules will come into effect from 1st February, 2026.

3. What are the goods covered under these Rules?

These rules cover the goods notified under Section 3A of the Central Excise Act, 1944 vide notification No. 04/2025- Central Excise (N.T.) dated 31.12.2025 namely, chewing tobacco (including filter khaini), jarda scented tobacco and gutkha.

4. What is the Chewing Tobacco, Jarda Scented Tobacco and Gutkha Packing Machines (Capacity Determination and Collection of Duty) Rules 2026 about?

These rules provide for manner of capacity determination and collection of central excise duty on the notified goods viz. chewing tobacco (including filter khaini), jarda scented tobacco and gutkha.

5. Is a separate registration required under these Rules for those taxpayers who already have a central excise registration?

No separate registration is required for existing central excise registered taxpayers.

6. Do all manufacturers of the notified goods have to pay the deemed duty as prescribed by these Rules?

No, these rules are applicable to manufacturers of pouches of the notified goods. Those manufacturing in other forms (such as tins) have to pay the applicable duty on assessable value.

7. Is there any abatement on retail sale price of the notified goods for the purpose of calculation of duty?

Yes, abatement is available and it has been factored in while notifying the applicable rates of duty for the products in notification No. 01/2022-Central Excise (N.T.) dated 01.02.2022.

8. By what date must an existing manufacturer of the notified goods submit the declaration?

The declaration in Form CE DEC-01 has to be filed on the portal within seven days of coming into effect of the Rules i.e. by 7th February, 2026.

9. Is filing of FORM CE DEC-01 mandatory?

Yes, it is mandatory.

10. What are the parameters required to be declared?

The parameters include number of machines, specifications regarding the machines such as maximum rated capacity and gear box ratios and the details of retail sale prices as mentioned.

11. Why is a Chartered Engineer's certificate required?

This is required to help in providing technical information regarding number of tracks/funnels, gear box ratios and revolution per minute of the main motor.

12. Is actual production relevant?

No, duty is based on deemed quantity produced by maximum rated capacity of the machine.

13. How is the duty payable to be calculated?

As per Section 3A of the Central Excise Act, the manufacturer is required to pay the duty based on the determined annual capacity of production.

However, pending verification of the declaration filed, the manufacturer shall pay the duty based on the retail sale prices of the pouches manufactured during the month and the maximum rated speed, in pouches per minute, of the packing machine.

For example, if the maximum rated capacity of the machine producing chewing tobacco is 500 pouches and the RSP is Rs 2, the rate of duty per packing machine per month shall be Rs. 0.83 crores.

If the maximum rated capacity of the machine producing chewing tobacco is 500 pouches and the RSP is Rs 4, the rate of duty per packing machine per month shall be Rs 1.52 crores (higher of Rs 0.83 crores or $0.38 \times \text{RSP}$ is to be taken)

14. Can a taxpayer file a fresh declaration between filing the first one and before the issuance of order determining the annual capacity of production by the jurisdictional Deputy Commissioner of Central Excise or the Assistant Commissioner of Central Excise?

As per Rule 6 of the said Rules, a fresh declaration cannot be filed until the jurisdictional Deputy Commissioner of Central Excise or the Assistant Commissioner of Central Excise, as the case may be, has issued an order under Rule 8 with respect to the previous declaration.

15. How will the department determine the annual capacity of production?

The jurisdictional Deputy Commissioner of Central Excise or the Assistant Commissioner of Central Excise, as the case may be, will determine the annual capacity of production after conducting physical inspection of the factory and verification of technical specifications of the machines. The annual capacity of production shall be determined by multiplying the quantity of notified goods deemed to be produced in a month with 12 (months) in accordance with Rule 5 of the said Rules.

16. What happens in the scenario where the annual capacity determined by the department is higher than the self-declaration by a manufacturer?

The jurisdictional Deputy Commissioner or Assistant Commissioner of Central Excise, as the case may be, shall issue an order within thirty days of verification after giving the manufacturer a reasonable opportunity of being heard. The differential duty, along with applicable interest, is payable from the date of installation of the machine or the date of change in factors relevant to production, as the case may be, till the date of actual payment. For the existing manufacturers, in the case of first determination, the differential duty and interest have to be paid from 1st February 2026.

17. What if the manufacturer prefers to file an appeal against the determination by the Deputy Commissioner or Assistant Commissioner of Central Excise?

Even if the taxpayer prefers to file an appeal, the duty has to be paid as per the determination by the jurisdictional Deputy Commissioner or the Assistant Commissioner of Central Excise, as the case may be, for the period subsequent to the order.

18. Will the determination be done every month by the jurisdictional officer?

No. A fresh determination will be done only if there is a change in the relevant factors of production affecting the annual capacity of production i.e. number of packing machines and maximum rated capacity of production of machines.

19. In case a manufacturer registered after 1st February 2026 installs machines and starts

production on the 10th of a month, is the duty payable for the entire month?

No. As per the said Rule 13(8), the manufacturer has to pay the duty on a pro-rata basis.

20. How will the number of machines be determined for the purpose of calculation of duty?

The number of machines installed for a month shall be taken as the maximum number of machines installed on any day during the month.

21. What are the monthly forms and returns to be filed?

The manufacturer is required to submit a monthly form in FORM CE STR-1 on or before the 10th day of the same month. This is apart from the monthly return which he is required to file as per Rule 12 of the Central Excise Rules.

22. How will abatement be calculated?

Abatement is calculated on a pro-rata basis using the formula:
$$\text{Abatement} = (\text{Monthly duty liability} \times \text{Number of days of non-operation}) \div \text{Total number of days in the month.}$$

23. Suppose the machine is not operating from 15th of February to 5th of March, what is the abatement that can be claimed?

Abatement can be claimed on non-operation for a continuous period of fifteen days and it is not dependent on whether this period falls within the same calendar month.

24. What are the conditions for claiming abatement?

In order to claim abatement, the manufacturer must intimate the department at least three working days in advance and the machine must be sealed by the department.

25. Are machines deemed to be operating even if not in use?

Yes. Any packing machine installed in a factory is deemed to be operating unless it is sealed in accordance with the provisions of the Rules.

26. What is the procedure for sealing of machines?

The manufacturer has to intimate the jurisdictional Deputy Commissioner or Assistant Commissioner of Central Excise, as the case may be, at least 3 working days before the nonoperation of an installed machine for any continuous period of fifteen days or more.

27. How can a sealed machine be de-sealed?

The jurisdictional Deputy Commissioner or Assistant Commissioner of Central Excise, as the case may be, must be intimated at least 3 working days before the date from which the operations are intended to be resumed. The machines will be de-sealed in the presence of the jurisdictional Superintendent of Central Excise.

28. What is the procedure for removal of machines from the factory for sale or disposal?

The jurisdictional Deputy Commissioner or Assistant Commissioner of Central Excise, as the case may be, must be intimated at least 3 working days in advance from the date so intended for uninstallation.

29. Is installation of CCTVs mandatory?

Yes. Every manufacturer operating packing machine is required to install a functional CCTV system covering all packing machine areas and to preserve the footage for a minimum period of twenty-four months.

30. Is rebate available?

No rebate of central excise duty is available under Section 18 of the Central Excise Rules.

31. What happens to the duty paid in advance if a factory ceases to work?

The manufacturer has to file an intimation for surrender of registration. The duty shall be adjusted or refunded in the manner prescribed in Rule 21 of the said Rules.

32. Are exports without payment of duty permitted?

No. Export of notified goods without payment of duty is not permitted under the capacity-based levy scheme.