



The Health Security se National Security Cess Bill, 2025

Twin Purposes: Prioritising National Security & Public Health

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Introduction

The **Health Security se National Security Cess Bill, 2025** has been introduced to create a **clear legal framework for a special excise cess**. The Bill proposes to levy a **cess on the machinery installed or the processes** undertaken for the manufacture or production of goods, manually or through hybrid processes⁴. The proceeds of this cess will flow into **the Consolidated Fund of India** and will support the Government in **meeting expenditure related to National Security and Public Health**. Initially the Bill is applicable to pan masala, however, the Government may notify to extend the cess to other goods, if necessary.

The Bill is **more than a technical tax amendment**, forming a part of a broader effort to secure stable revenues through a structured, rule-based framework. Moreover, it seeks to ensure **that certain products contribute their fair share to the nation's priorities, while maintaining clarity, fairness, and accountability in the imposition and administration of such levies**.

A Capacity Based Cess for Reliable Revenue System

With targeted and accountable utilisation of funds for activities, schemes and programs relating to national security and public health, the Bill is aimed to create a dedicated-reliable revenue stream to support expenditure on National Security and Public Health. The Bill provides for the imposition of a capacity-based cess on the manufacture or production of specific goods.

The Health Security se National Security Cess Bill, 2025 lays down a **detailed and systematic statutory framework governing how the cess is levied, calculated, administered, monitored and enforced including mechanisms for audit and appeals**. The principal elements of the Bill are covered in a **clear and clause-based format** that enhance **ease-of-reference for implementation**.

Table 1: Theme based Provisions under The Health Security se National Security Cess Bill, 2025

Theme	Provisions
Goods Covered (specific goods)	Pan Masala & any other goods as notified.

Who Must Pay (taxable person)	Any person who owns/operates/controls machines or processes manufacturing specified goods as given, regardless of tax status, as prescribed.
Nature of Levy <i>(Health Security se National Security Cess)</i>	Machines installed or processes undertaken, in addition to other certain duties/taxes, as prescribed.
Basis of Calculation <i>(Capacity-based monthly levy)</i>	Computed by maximum rated speed (pouches/tins per minute) & weight per pack, or manual process flat rate, as prescribed.
Monthly Cess Amounts <i>(as per defined rates)</i>	<i>For Machine based process: ₹101 lakh/month, as prescribed.</i> <i>(cess for item - up to 500 Number of pouches or tins or containers per minute, up to 2.5g)</i> <i>For Manual process: ₹11 lakh/month flat, as prescribed.</i>
Abatement <i>(Reduction during non-operation)</i>	15+ days continuous stoppage eligible for abatement
Use of Proceeds <i>(for national priorities)</i>	Credited to Consolidated Fund of India, for public health & National Security.
Registration & Returns <i>(mandatory compliance)</i>	Registration, Self-declaration of machines, monthly returns & payment by 7th of month.
Monitoring & Verification <i>(oversight & audit)</i>	Scrutiny, Audit, Inspection/search/seizure.
Offences <i>(Penalties, prosecution, confiscation & arrest)</i>	Offences & penalties, Confiscation, Arrest, Graded Imprisonment Levels, as prescribed
Appeals Structure <i>(multi-tier remedy system)</i>	Appeal to Appellate Authority → Tribunal → High Court → Supreme Court.
Government Powers <i>(administrative flexibility)</i>	May increase cess up to 2× in public interest; may exempt taxable persons; may add goods to Schedule I, as applicable & prescribed.

The Procedural Format for Effective Implementation

The Bill not only defines who is liable and how much cess is payable, it also **sets out a clear sequence of steps** that every taxable person must follow, *from registration and declaration of machines or processes, to monthly payment and returns, and finally to scrutiny, enforcement and appeal*. The **step-by-step flow** underlined by the Bill presents the compliance journey in simple and a procedural format, mapping with the corresponding clauses.

Registration: Any person owning/operating/controlling machines or processes manufacturing specified goods must register with the proper officer.

Self-Declaration of Machinery / Process Parameters: Taxable person must submit self-declaration of machines/processes, including parameters like maximum rated speed, weight per pack, and type of packing.

Verification / Calibration: Details declared may be verified or calibrated by the proper officer (with opportunity of being heard).

Cess Computation: Cess is computed based on machine capacity (pouches/tins per minute) and weight per pack, or a flat monthly rate for manual process.

Monthly Payment & Return Filing: Cess must be paid at the beginning of each month but no later than the 7th, with a monthly return filed by the taxpayer.

Abatement for Non-Operation: If a machine or unit remains inoperative for 15+ days, cess amount may be abated proportionately, subject to conditions.

Review, Audit & Assessment: Provisions for scrutiny of returns, audit, and assessment where cess is unpaid or short-paid.

Enforcement: Includes inspection, search, seizure, confiscation, arrest and penalties for contraventions.

Compliance, Enforcement & Appeal Framework

The Bill establishes a **structured compliance framework** under which every taxable person must register, self-declare machine and process details, and file monthly returns along with the applicable cess payment. The strong compliance framework further **strengthens oversight** through scrutiny of returns, audits, and the deployment of technological and monitoring mechanisms to ensure accuracy and transparency in reporting. Non-submission of returns, failure to maintain required declarations, or non-payment of cess will also attract **specified compliance consequences**.

Other Inclusions

An **Enforcement Framework** that includes search, inspection, seizure, confiscation of goods and machinery, recovery of dues, penalties, and arrest in severe contraventions, has been provided to **safeguard revenue**.

For effective implementation, the Bill specifies a **Graded Penalty Structure** based on the nature and scale of the violation. Offences such as operating machines without declaration, evasion of cess, falsification of records, obstruction of officers, or fraudulent refunds, will lead to penalties that may include monetary fines, imprisonment, and confiscation.

To ensure transparency and fairness, a **Multi-tier Appeals Mechanism** has also been highlighted allowing challenges to move from the appellate authority to the Appellate Tribunal, High Court, and Supreme Court. In the process, the enforcement powers are supported by collaboration with police, customs, railway, land-revenue and other officers for execution.

Conclusion

The Health Security se National Security Cess Bill, 2025 represents a **significant step towards establishing a stable and transparent revenue channel dedicated to strengthening India's Public Health Systems and National Security capabilities**. By adopting a capacity-based levy structure supported by a robust compliance and enforcement framework, the Bill ensures **predictability in revenue mobilisation while maintaining accountability through oversight**. It also offers a balanced approach that is administratively practical, legally coherent, and aligned with **National Priorities**.

References:

LOK SABHA:

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