

PREFACE TO THE FOURTH EDITION

1. In the Fourth Edition of Revenue Audit Manual on State Excise Duties the material contained in the previous Edition has been updated and modifications which were necessitated due to changes have been made to make it useful to the staff for audit.

2. All out efforts have been made to include all the available fresh material to make the manual truly useful to all concerned.

3. This manual should be treated as a guide for audit purpose and the audit checks incorporated therein should not be taken as exhaustive.

4. Though the instructions contained in the manual need full compliance but these do not debar audit staff for looking out for any other point of interest during the course of audit.

5. While preparing Audit and Inspection Note a particular reference to provisions of Acts and Rules framed there under, should be made and not to the paras of this manual.

6. The Receipt Audit Wing (State) will be responsible for keeping this manual up to date.

7. The material contained in this manual may require modifications in the light of further experience gained during audit and subsequent orders and instructions issued by the Government from time to time.

8. Any error/omission noticed in the manual and suggestions for its improvement may be brought to the notice of the Principal Accountant General (Audit) Haryana, Chandigarh.

Chandigarh:

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CHAPTER I

INTRODUCTORY

1.1 Constitutional Provisions: The power of the State Government to levy and collect the State Excise duties is derived from Articles 246 of the Constitution of India and entry 51 of list II State List of Seventh Schedule thereto. Duties of Excise on alcoholic liquors for human consumption and on medicinal and toilet preparations containing alcohol or opium, Indian Hemp and other narcotic drugs and narcotics in Haryana are levied and collected under the authority of the following Central and State Laws and Rules made thereunder:-

a) Central Law : The Medicinal and Toilet preparation (Excise duties) Act, 1955 and rules made thereunder providing for the levy and collection of excise duties on medicinal and toilet preparations containing alcohol, opium, Indian hemp or other narcotic drugs or narcotics.

b) State Law: The Punjab Excise Act, 1914 and rules made thereunder, namely The Punjab Excise Fiscal Orders, 1932, the Haryana Liquor License Rules, 1970, The Punjab Liquor Permit and Pass Rules 1932, The Punjab Distillery Rules 1932, The Punjab Brewery Rules. 1956, The Punjab Sweets (Manufacture) Rules, 1955, The Punjab Excise Bonded Warehouse Rules, 1957 and The Punjab Excise Powers and Appeal Orders, 1956.

1.2 Before taking up the audit, the Audit Parties are required to be conversant with the provisions of these laws and rules framed thereunder, so that no objection which is contrary to any provision of law or rules is incorporated by them in the Audit and Inspection notes. This, however, would not debar the parties from bringing out any flaw or defect in any provision of the Act or Rules which ultimately resulted in loss of revenue to the State exchequer.

CHAPTER – II

ORGANISATION AND FUNCTIONS OF THE EXCISE DEPARTMENT

2.1 Organization: – The Excise Department functions under the administrative control of the Excise Commissioner. To assist the Excise Commissioner in the proper administration of the department Deputy Excise and Taxation Commissioners/Officers are appointed at the headquarter.

In all the districts Deputy Excise and Taxation Commissioners hold the charge of the district. The bonded warehouses, distilleries, breweries and bonded pharmacies each is under the charge of an officer of the Excise Department. These serve as primary units for an excise levy and collection of excise duties and allied levies.

2.2 Duties: - Various officers of the department have been delegated the powers as enumerated in the annexure to the chapter.

2.3 Enforcement: - There is an enforcement organization headed by the Deputy Excise and Taxation Commissioner who is assisted by the Excise and Taxation Officers with their supporting staff.

2.4 Internal audit: - There is an internal audit unit headed by Chief Accounts Officer who is assisted by the Section Officers posted at the District Headquarters. Their main function is to carry out the internal audit of income and expenditure of the department.

ANNEXURE

(Referred to in Para 2.2)

Delegation of powers under order 12 of the Punjab Excise Power and Appeals Orders, 1956.

Sr. No.	Nature of powers	Authority to whom powers may be delegated.
1	2	3
1	Power to grant permits for import or transport of country spirit, foreign liquor, rectified spirit or denatured spirit	Excise and Taxation Officer/Assistant Excise and Taxation Officer of District.
2	Power to grant permits for the transport of Bhang.	Do

3	Power to appoint salesman to work at licensed premises.	Do
4	Power to issue passes for export and transport of foreign liquor, country spirit; rectified spirit and denatured spirit from vend premises.	All Excise Officers of 1 st and 2 nd class Ex-officio
5	Power to grant passes for the export and transport of medicinal or other preparations containing rectified spirit including intoxicating spirituous preparations from vend premises.	Do
6	Power to grant passes for the export and transport of medicinal or other preparations containing rectified spirit including intoxicating spirituous preparations from the bonded warehouses of the approved manufacturer.	The Excise Inspector Incharge of the Chemical Works.
7	Power to grant permit for the import or transport of intoxicating spirituous preparations.	Excise and Taxation Officer/ Assistant Excise and Taxation Officer in the District.
8	Power to grant passes for the export and transport of spirit from a distillery or of beer, from the brewery or of liquor from a bonded warehouse.	Excise Inspector Incharge of the distillery or brewery or bonded warehouse.
9	Power to grant permits for the passes for possession of country spirits not exceeding 45.460 litres on special occasions.	All Excise Officers of the 1 st and 2 nd class Ex-officio.
10	Power to grant licenses for the manufacture and possession of country fermented liquor for home consumption.	Do
11	Power to grant licenses for the manufacture of country fermented liquor for use on special occasions.	Do

12	Power to grant passes for the export and transport of Bhang.	Do
13	Power to grant passes for the transport of Bhang.	The Tehsildar and Naib Tehsildar of any outlying Tehsil ex officio. Provided such delegation shall be subject to the condition that the officer granting the passes shall invariably endorse a copy thereof to the Excise and Taxation Officer Incharge of the district of issue.
14	Powers to grant passes for the export and transport of foreign liquor, country spirits and denatured spirit from the wholesale vend premises of the persons mentioned in column 2.	Any person within the district licensed to sell foreign liquor, country spirits and denatured spirit wholesale provided that such powers shall be delegated only after obtaining the previous sanction of the Financial Commissioner and such delegation shall be made by written order naming the persons to whom power is delegated.
15	Power to grant export and transport passes for the export and transport of foreign liquor from the retail premises of any licensee to any other premises of the same licensee.	Any person granting a license for the retail vend of foreign liquor within the district.
16	Power to grant a permit for import and transport of rectified spirit from licensed distillery to an approved manufacturer and Homoeopathic Chemist or Practitioner.	Excise and Taxation Officer / Assistant Excise and Taxation Officer of the District.
17	Power to grant authorization for the export/transport in bond of country spirit for Indian made foreign liquor or medicinal/ non medicinal preparations containing rectified spirit including intoxication spirituous preparations to the Manager of the Distillery, Brewery or an approved manufacturer etc.	Excise and Taxation Officer/Assistant Excise and Taxation Officer of the District.

18	Power to require the manager of a distillery of brewery or bonded warehouse or the proprietor of a chemical works licensed in Punjab to execute a bond ensuring the safe arrival to its destination of any consignment of liquor exported or transported in bond and the payment of which may become due thereon.	Do
19	Power to discharge the bond executed by the manager of the distillery of brewery or bonded warehouse or the approved manufacturer concerned in connection with export/transport in bond of liquor.	Do
20	Power to grant or renew a permit for purchase transport and possession of foreign spirit exceeding one bottle of the capacity of 750 milliliters.	Do
21	Power to grant permits for purchase, transport and possession of brandy in a prohibited area.	All Excise Officers of 1 st and 2 nd class Ex-officio
22	Power to suspend licenses granted under Forms L-2, L-14 and L-14A of Rule 2 of the Haryana Liquor License Rules, 1970.	Excise and Taxation Officers appointed in the district to look after the excise work. The suspension shall be ordered only if on preliminary chemical test poisonous ingredients are found in the sample of liquor.

CHAPTER – III

A -SUPPLY AND DISTRIBUTION OF MOLASSES FOR DISTILLERIES

The supply and distribution of molasses is governed by the Punjab Molasses (Control) Rules, 1962. The salient features of the Rules are as under:

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Demand and supply of Molasses

3.1 Rule 3 of the Punjab Molasses (Control) Rules, 1962 – Every distillery shall submit to the Controller of Molasses by the 31st October each year an indent in form MC-1 of its estimated requirement of molasses during the twelve months commencing from first January following an every sugar factory shall submit by the 31st October each year in form MC-2 its estimated production of molasses during the following cane crushing season. The Controller shall thereafter check the requirements and prepare the consolidated statement showing the requirements of each distillery (Sugar factory wise) and make a provisional allotment of molasses to each distillery and communicate to the sugar factories of such allotments.

3.2 The sugar factories shall report in form MC-3 showing total production of molasses to the Controller who shall reallocate the molasses to make it final allotment.

3.3 (I) (a) The ownership of all molasses dispatched in railway tank wagons to distillery shall continue to vest in the occupier of the sugar factory concerned until it is actually delivered at the distillery and all losses occurring from any cause other than a willful omission on the part of the distillery, shall be borne by the occupier of the sugar factory. The ownership of the molasses transported by road shall pass on to the allottee as soon as the molasses are taken out of the factory premises with gate pass as such allottee shall be responsible for its safe arrival at the destination and for loss in transit, if any.

(b) The allottee, requiring molasses for purpose of industrial development, shall make his own arrangements for transport of molasses and he shall be responsible for safe arrival of the molasses at the destination and for loss in transit, if any.

(II) On receipt of the consignment, the consignee shall verify the quantities received and note them on the back of the pass and return it to the occupier of the sugar factory concerned. The consignee shall take adequate safeguards to see that the wastage or deficiency in transit does not exceed 0.5 per cent, in case the wastage or deficiency exceeds 0.5 per cent, the consignee shall be liable to the punishment imposed under the Act or for the contravention of the rule, provided, if it is proved to the satisfaction of the

controller that the wastage or deficiency is in excess of the prescribed limit, has been caused by an accident or any other unavoidable cause by consignee, he shall not be liable to punishment.

(III) The distillery shall take adequate safeguards to see that the wastage in the storage of molasses does not exceed 0.5 percent. The loss shall be calculated on the average stock held per day and not on the receipt. In case the wastage exceeds 0.5 percent, the distillery shall be liable to penalties as provided in section 6 of the East Punjab Molasses (Control) Act, 1948.

3.4 Rule 8 of the Punjab Molasses (Control) Rules, 1962. - No distillery shall refuse molasses supplied by the sugar factory under the orders of the Controller, without the prior approval of the Controller.

Government of Haryana has exempted sugar factories situated in the State from the provisions of Sections 4 and 5 of the East Punjab Molasses (Control) Act, 1948 in respect of 50% of the molasses produced by each of them with effect from 17th March, 1998. Further the Government of Haryana vide Notification dated the 27th January, 2003 has rescind its Prohibition, Excise and Taxation Department notification dated the 17th March, 1998 stated above. The Government of Haryana has also fixed administrative charge at the rate of Rs. 15 per quintal on export of molasses with effect from 28th January, 2003.

3.5 Rule13 of the Punjab Molasses (Control) Rules 1962: The molasses forfeited to Government shall be disposed off in the manner ordered by the Controller in each case:

Provided that in case where a revision has been filed, the Controller shall not make the orders of disposal of molasses unless the revision is heard and decided.

3.6 Every distillery shall furnish to the Controller a weekly return in form MC-7 showing the receipt and consumption of molasses.

B -DISTILLERIES

3.7 Definitions (Under the Punjab Distillery Rules,1932).-

(a) Distillery means the manufactory where spirits are distilled, compounded, blended, processed fortified/and or diluted to produce wines or Indian liquor other than arracks, beer or toddy and includes an operation of bottling of such liquor.

(b) **Distillation:** - Separation of the constituents of a liquid mixture by partial vaporization of the mixture and separate recovery and residue is known as distillation. The more volatile constituents of the original mixture are

obtained in increasing concentration of the less volatile remaining in greater concentration in the residue. The apparatus or equipment in which this process is carried on is called as still. The essential part of the still are: (1) the kettle in which vaporization is effected, (2) the connecting tube or column conveying the vapours and (3) the condenser in which the vapours are liquified.

(c) **Fermentation:** - Fermentation is an obscure and seemingly spontaneous change or decomposition which takes place in most vegetable and animal substances when exposed at ordinary temperature to air and moisture. While the term fermentation when broadly used cover decay and purification also, it has been used in the manual in the restricted sense of the process for producing alcohol and alcoholic liquors from saccharifereous washes.

- (d) **‘License’** means a license granted for a distillery under section 21 of the Punjab Excise Act, I of 1914.
- (e) **‘Wash’** means a saccharine solution from which after distillation, spirit is obtained.
- (f) **‘Bub’** is a composition itself in a state of formulation prepared for addition to wash to promote fermentation.
- (g) **‘Low wines’** means impure spirits produced from the first distillation of the wash in a potstill.
- (h) **‘Feints’** means that portion of the distillate from the low wines which is considered unfit by reason of its impurities to be collected in the spirit.
- (i) **‘Rectified spirit’** means spirit of strength of 43 degrees or more over proof.
- (j) **‘Receiver’** means any vessel into which the worm of a still discharges.
- (k) **‘Spent wash’** means the residue left after the wash has been exhausted of spirit.
- (l) **‘Spent Lees’** means the residue left after unfinished spirit has been redistilled.
- (m) **‘Special spirit’** means spirit redistilled after the addition of flavour and spices to plain spirit.

- (n) **‘Special spiced spirit’** means spiced spirit approved by the Financial Commissioner for issue as special spiced spirit. It includes matured spirit more than two years old.
- (o) **‘Malt whisky’** means whisky manufactured from malt only.
- (p) **‘Matured whisky’** means whisky matured in wash for a period of not less than two years.
- (q) Distillation includes redistillation.

Grant of license.

3.8 Any person desiring to obtain a license for a distillery under Section 21 of the Punjab Excise Act, 1914 may apply to the Collector in form D-1 and shall deposit a sum of Rs.75,00,000 plus Rs.1 lac per kilo liter of installed capacity, as license fee and security in cash or in National Saving Certificate for the fulfillment of all the conditions of his license. A sum to be fixed by the Financial Commissioner which shall not be less than Rs.20,000 or more than 50,000 in amount of security deposit shall be refunded to the licensee unless it is forfeited for any breach of rules and conditions of the license for adjustment against any other dues. The license shall be granted in form D.2 and is not transferable except with the sanction of the Financial Commissioner.

(Rule 1, 2, 3, 4, and 5 of Punjab Distillery Rules, 1932)

Execution of Bond in Form D.3

3.9 The licensee shall execute a bond in form D.3 pledging the premises, stock of spirit, stills, and apparatus and utensils employed in the manufacture and storage of spirit for the due discharge of all payments which may become due to Government. With the sanction of the Financial Commissioner, the licensee may in lieu of executing such a bond, deposit in National Savings Certificates of such value as the Financial Commissioner directs. A deposit made under this rule shall be separate and distinct from the security deposit required by rule 4 of the Punjab Distillery Rules, 1932.

(Rule 6 of Punjab Distillery Rules 1932).

Period of License

3.10 A license granted under these rules shall be valid for a period of one year from the date of issue unless it is cancelled, determined or surrendered

earlier and shall be renewable annually on the application of the licensee on payment of Rs.75,00,000 plus Rs.1 lac per kilo liter of installed capacity.

Provided that such license may be cancelled for breach of the term thereof or may be determined by the Financial Commissioner after giving the licensee six month's notice. An application for the renewal of the license shall be made at least 60 days before the expiry of the old license. Provided that if such application is not made within such period the Financial Commissioner may renew the license on payment of such penalty not exceeding Rs. 15,00,000 as he may deem fit.

(Rule 7 of the Punjab Distillery Rules, 1932).

Working arrangements

3.11 A distillery may remain open for work on Sunday or a holiday gazetted under the Negotiable Instruments Act, or a Saturday when it is a holiday or any other holiday, in Government offices excluding those specified below in the rule, provided notice is given to the distillery Inspector at least 24 hours before Sunday or any of the holidays in question and a fee of Rs.15 per day or part of a day is paid to Government. If a distillery remains open for work after due notice to the Distillery Inspector or any of the holidays specified below the fee payable to the Government for every such holiday shall be double the ordinary fee.

- 1) Guru Gobind Singh's Birthday
- 2) Republic day
- 3) Guru Ravi Dass's Birthday
- 4) Id-ul-Fitr
- 5) Holi
- 6) Hola
- 7) Baisakhi
- 8) Mahavir Jayanti
- 9) Bank Holiday
- 10) Independence Day
- 11) Janam Ashtami
- 12) Mahatama Gandhi's Birthday
- 13) Dussehra
- 14) Maharishi Balmiki day
- 15) Diwali
- 16) Guru Nanak's Birth day
- 17) Christmas Day
- 18) Bank Holiday

An account of overtime fee charged under Rule 32 above, shall be maintained in the distillery register in form D-23 and the amount due for each

month shall be payable within seven days of the closure of the month concerned. Intimation as regards the amount due during the month shall be sent by the Distillery Inspector to the Manager of the Distillery at the close of each month.

Prescribed outturn of spirit and stock of spirits

3.12 The licensee shall, if there is a demand upon his distillery for such a quantity produced during each calendar year at least 90 percent of the outturn of plain and spiced country spirit which his stills are capable of producing according to the estimate of their charge capacity entered in his license. The calculation of the outturn shall be as under :

(i) Fermentation efficiency	84 % of fermentable sugar contents present in molasses.
(ii) Distillation efficiency	97 % of alcohol present in the wash.
(iii) Minimum recovery of alcohol.	52.5 litres of alcohol per quintal of Fermentable sugar present in molasses consumed for production of alcohol.

Failure to maintain the prescribed minimum efficiency and recovery of alcohol shall render the distillery to cancellation of license and forfeiture of security in addition to any other penalty imposed under the Act.

The calculation of the outturn of whisky prepared from malt shall be based on the assumption that 19 kilograms of malt will yield 8,200 proof litres of whisky subject to the provisions of the preceding rule, the licensee shall maintain a stock plain and spiced country spirit in bottled form so that such stock shall at the beginning of each month after allowing compliance with all orders of in hand at the time be equal to the quantity of stock which may from time to time be determined by the Financial Commissioner keeping in view the requirement for 10 days of the country liquor licensees in the State.

The licensee shall have always in stock, in a molasses or mahua store to be provided by him and approved by the Financial Commissioner, a quantity of Molasses or Mahua sufficient for the preparation of wash for the full working of all his stills, calculated upon the date set forth in rule 35 above for 10 full working days in the month from October to March, inclusive and for 7 ½ full working days in the month from April to September. The licensee shall on the 1st and 15th day of each month, report to the inspector the quantity then in stock and shall permit the inspector to verify the quantity if he desires to do so.

(Rule 35, 35A, 36 and 37 of The Punjab Distillery Rules 1932).

3.13 (1) Bottles and flasks of the following sizes shall be used:-

- (i) Bottles of the capacity of 180 Millilitre.
- (ii) Bottles of the capacity of 375 Millilitre.

(iii) Bottles of the capacity of 750 Millilitre.

(II) An account of spirit received and used for bottling shall be maintained in form D.13 B.

(III) Except with the special permission of the Financial Commissioner the Haryana Excise bottles shall not be used for bottling any Country or Indian Made Foreign spirit which is intended for export to another 'State or Union Territory.

[Rule 93(e) (1), m and n of The Punjab Distillery Rules 1932].

Wastage, Loss and Destruction

3.14 If it is found that the wastage in any distillery is excessive the licensee shall pay duty as on issue in respect of all losses attributed to wastage in excess of the scale fixed.

The following scales of wastage allowance for spirit are prescribed for distilleries licensed in Haryana.

Wastage allowance in case of-

Redistillation	Spirit Store Room	Bottling Operations	Bottling Spirit Room
1.5 percent	2 percent	1.5 percent	1 percent

The above scale will apply both to the Country spirit and Indian Made Foreign spirit. Where the wastage of spirit exceeds the prescribed limit, duty on wastage of each kind of spirit for which a separate rate of duty is fixed will be calculated separately but for this purpose, various brands of Indian made Foreign spirit which are chargeable to the same rate of duty will be taken up together.

- 2) Wastage shall be calculated for each month but the charge on account of duty shall be made at the end of the financial year and the distillery shall be allowed to set off the results of the month, in which the wastage of spirit was less than the prescribed scale, against those of the months in which the wastage exceeded this scale.
- 3) The figures of wastage in various operations shall be worked out in forms D.26, D.27, D.28. and D.29.
- 4) Duty shall be charged as on issue at the rate applicable to the particular kind of spirit subject to the following exceptions:-

a. Duty on excess wastage of plain spirit above the strength of 43 degree above over proof shall be charged at the rate of prescribed for plain country spirit and not at the rate prescribed for rectified spirit.

b. No duty shall be charged on excess wastage of denatured spirit provided that denatured spirit is stored separately within the distillery enclosures.

c. Duty on excess wastage of matured spirit, if any shall be charged under rule 102 of the distillery rules read with sub-rule 16 of the rule 90 of the distillery rules and not under this rule. In case extraordinary wastage of spirit occurs in a distillery owing to any cause an enquiry into the circumstances shall be made immediately under the orders of the Collector or Financial Commissioner and if it is found that the wastage was due to preventable causes, which the licensee should have foreseen or guarded against and that the spirit was required to meet a demand made on the distillery the meeting of which was delayed by reasons of the loss the licensee shall if directed to do so by the Financial Commissioner pay all or such part as seems reasonable of the duty that would have been recovered on the wasted spirit if it had been issued. When liquor or any preparation containing alcohol lying with the licensee deteriorates and is found unfit for human consumption or any other use of permitted under the rules, the Financial Commissioner may order its destruction where after it shall be struck off, from the stock book. The destruction shall take place in the presence of an officer deputed by the Collector or in the presence of the Distillery Inspector, as directed by the Collector.

Provided that in case of stock, on which duty is to be paid or has been paid, the Financial Commissioner may on receipt of a formal claim from the licensee through the Collector, under remission or refund of such duty as the case may be.

(Rules 101,102 and 110-A of The Punjab Distillery Rules 1932)

Issues

3.15 No spirit shall be issued except under a distillery pass granted by the Inspector in form D.20 or D-20 A. A distillery pass for the removal of spirit fit for human consumption may be granted in favour of any of the following persons, namely :-

- a) A person certified to be holding a license in the Punjab or Delhi State to sell such spirit by wholesale or retail and when the spirit is to be transported or exported beyond the limits of the district in which the distillery is situated holding a permit signed by Collector or other officer authorized in that behalf of the district of destination.

- b) An officer of the supply and Transport corps or commanding a regiment of the Indian Army holding a permit signed by the Collector of the District of destination or presenting a requisition countersigned by the Brigade Commander or Corresponding superior officer when it is proposed to export spirit for the use of troops serving outside the territorial limits of India.
- c) A person holding a permit signed by the Collector of a district in any other State or Union Territory for the export of such spirit from Haryana into that district.
- d) A person holding a permit signed by an officer duly authorized in that behalf for export of such spirit to any Union Territory or State.
- e) A person holding a permit from the Collector of any district in Haryana or Delhi State and transported export or remove rectified spirits of wine to such district for chemical or medical purposes and
- f) The manager of a distillery in respect of spirit issued as samples.

Provided that:-

- (i) Spirit issued as samples do not exceed 33.750 proof litres per month and an account is maintained in a monthly register in form D. 24 which will be subject to periodical check by a competent excise authority;
 - (ii) Samples are issued in bottles of the sizes specified in rule 93 or in bottles of any size smaller than the bottles of the capacity of 750 milliliters : and
 - g) An officer of the Government in respect of spirit removed by him in his official capacity.
2. A distillery pass for the removal of denatured spirit may be granted to any of the following persons, namely:-
- (a) a person certified to be holding a license in the Haryana or Delhi State to sell such spirit;
 - (b) a person authorized by the Collector of any district in the Haryana or Delhi State to remove such spirit for industrial use; and
 - (c) A person holding a permit signed by an officer duly authorized in that behalf for export of such spirit to any Union Territory or State.

When the licensee desires to remove from bond any quantity of fusel oil a sample shall be forwarded to the Chemical Examiner for analysis and if the result of analysis shows the percentage of alcohol to be less than 15 percent proof spirit, the fusel oil shall be issued under pass in form D.20 free of duty.

(Rules 114, 115-A of The Punjab Distillery Rules 1932)

Application for a distillery pass

3.16 Every application for a distillery pass for the removal of spirit shall be made in writing to the Inspector and shall be accompanied by the certificate or permit required under the relevant sub-clause of rule 115 of the Punjab Distillery Rules. Such certificates or permit being either a general one for the purpose or removals to be made from time to time or a special one for the purpose of a single removal.

(Rule 117 of the Punjab Distillery Rules, 1932)

Payment of still head duty before issuing distillery pass and deposit in to the treasury

3.17 If the applicant for distillery pass tenders cash in payment of still head duty the Inspector shall after ascertaining that the licensee's price has been paid, fill up the challan, for presentation with the cash at the treasury or sub-treasury of the district in which the distillery is situated. The applicant shall present the treasury receipt in token of his having paid the duty and the Inspector shall affix it to the counterfoil of form D.20 or D.20 A.

The applicant for distillery pass shall be responsible for the correct calculation and full payment of the still head duty due upon the spirit to be removed.

(Rule 118 and 119 of the Haryana Distillery Rules)

Removal of spirit against advance payment of duty

3.18 If in removing spirit from the distillery as an agent for a licensed vender the licensee prefers not to pay duty at the time of, he may remove the spirit subject to the adjustment of such duty against an advance payment made by him into the Government treasury on account of the duty recoverable on such removals. Such an advance payment shall be not less than Rs. 2000 and each time an advance is replenished it must be by a sum that will bring it up to the at least Rs. 5000. The treasury officer will keep the Inspector informed of all payments credited to an advance and the Inspector shall maintain a statement in form D.15 showing such payments and the duty debit against them.

(Rules 120 of the Punjab Distillery Rules 1932)

List of various registers

3.19 List of various registers required to be maintained at a distillery is given in the Annexure.

ANNEXURE

(Referred to in Para 3.19)

List of Registers to be maintained in a Distillery

Sr. No.	Form No.	Particulars	Reference to Punjab Distillery Rules, 1932 under which maintained
1	2	3	4
1	D-4	General Register	Para 11.22 and 11.51 of Excise Manual Vol. III
2	D-5	Table Book (Bub Fermentation vats)	Rule 66
3	D-6	Table Book (Spirit Receiver vats)	Do
4	D-7	List of persons employed in the distillery	Rule 20 and 23
5	D-8	Licensee General Register	Rule 38,70,72,74
6	D-9	Inspector's Diary	Rule (90) (ii) and 86
7	D-10	Sub Register	Rule 38 and 73
8	D-11	Main Wash Register	Rule 73,74,75
9	D-12	Abstract of Distillery operation	Rule 86 and Para 11.54 of Excise Manual, Vol. III
10	D-12-A	Abstract of Re-distillation Operation	-
11	D-13	Register of receipt of bulk into the spirit store room and issue of bulk and bottles spirit from store room	-
12	D-13-A	Register of receipt and disposal of spirit received in bond from the distilleries	-
13	D-13-B	Register of bottling operations	Rule 93(a)
14	D-14	Register of daily total of bulk issue and in stock	Rule 90(b)

15	D-14-A	Register of daily total of bottles and spirit issued and in stock.	Para11.34 Excise Manual Vol. III
16	D-15	Register of issues of spirit on which duty has been paid in advance	Rule 120
17	D-16	Register of spirit compounded/denatured issued and passed into stock	Rule 92 and 105
18	D-17	Register of lock tickets	Rule 57
19	D-18	Register of vat tickets	Rule 105
20	D-20 and 20-A	Distillery pass	Rule 114
21	D-21	Register of spirit	Rule 90
22	D-22	Weighment Register	Rule 108-A
23	D-23	Register showing levy of overtime fee	Rule 32
24	D-24	Monthly stock register of samples issued	Rule 115(g)
25	D-25	Account of disposal of duty free spirit	Rule 38 and 40
26	D-26	Register of wastage in spirit stock room	Rule 101-A
27	D-27	Register of wastage in bottling operations	Rule 101-A
28	D-28	Register of wastage bottling/bottled spirit store-room	Do
29	D-29	Register of wastage in re-distillation	Do

CHAPTER – IV

BREWERIES

Definitions

(Rules 2 of Punjab Brewery Rules, 1956)

4.1 In the Brewery rules :

a) “**Beer**” means any liquor prepared from malt or grain, with or without the addition of sugar and hops and includes ale, porter and stout and all other fermented liquors made from malt.

b) “**Brewery**” means a building where beer is manufactured, and includes every place there in where beer is stored or where it is issued.

c) “**Cooler**” means any vessel in to which worts are passed to be cooled and includes a refrigerator.

d) “**Copper**” means any vessel in which either worts or water is boiled or heated in the course of brewing.

e) “**Fermenting vessel**” means any vessel in which worts are fermented by the action of yeast.

f) “**Gravity**” means the proportion which the weight of a liquid bears to that of an equal bulk of distilled water the gravity of distilled water at [5-15° C (60° F)] being taken to be 1000.

g) “**Hopback**” means any vessel into which worts are run after boiling in order to remove the spent hops.

h) “**Mashtun**” means any vessel in which malt or grain is exhausted in the course of brewing.

i) “**Racking or settling back**” means any vessel into which worts are passed from a fermenting vessel and racked either at once or after some time into store vats or casks.

j) “**Sugar**” means any saccharine substance extract or syrup; and includes any material capable of being used in brewing, except malt or corm.

k) “**Underback**” means any vessel into which worts run, either from the mashtun or hop-back.

l) “**Worts**” means the liquor obtained by the exhaustion of malt or grain or by the solution saccharin matter in the process of brewing.

Grant of license.

(Rule 5 of Punjab Brewery Rules, 1956)

4.2 No license shall be granted unless the applicant has deposited a sum of Rs 50 lac plus Rs. 10 lac per lac HLPAs of installed capacity, in cash as license fee and in addition has deposited as security in cash or in National Savings Certificates a sum to be fixed by Financial Commissioner, which shall not be less than Rs. 2,000 or more than Rs.5,000 in amount.

The security deposit shall be refunded to the licensee after the expiry of the licence unless it is forfeited for any breach of rules and conditions of the licensee or adjusted against any other dues.

Execution of bond by the licensee

(Rule 6 of the Punjab Brewery Rules 1956)

4.3 The licensee shall execute a bond in Form B.-3 pledging the premises stock of beer, all apparatus and utensils employed in the manufacture and storage of beer for the due discharge of all payments which may become due to Government. The licensee may, however, in lieu, of executing such bond, execute a bond in Form B.16 and deposit Government promissory notes or in National Saving Certificates of such value as the Financial Commissioner may direct or furnish a guarantee by the State Bank of India in form B.17 to the satisfaction of the Financial Commissioner for the due discharge of all payments which may become due to Government. A deposit made under this rule shall be separate and distinct from the security deposit required by Rule 5 of Brewery Rules.

Conditions of licenses

(Rules 7 and 8 of Punjab Brewery Rules 1956)

4.4 The license in form B.1 shall be valid for a period of one year from the date of issue unless it is cancelled, determined re-surrendered earlier and shall be renewable annually on the application of the licensee on payment of Rs. 50 lac plus Rs. 10 lac per lac HLPAs of installed capacity.

Provided that such a license may be cancelled for breach of the terms thereof or may be determined by the Financial Commissioner after giving the licensee six months notice. An application for the renewal of the license shall be made at least 60 days before the expiry of the old license provided that if such application is not made within such period the Financial Commissioner may renew the license on payment of the renewal fee as specified under sub rule and such penalty not exceeding Rupees Two lacs as he may have regard to the merits of the case deem fit.

Charging of duty

4.5 For the purpose of issue of beer from the brewery and charging duty thereon, the provisions contained in rules 110,115,116,117,118, 119,120,121 and 122 of the Punjab Distillery Rules, 1932, shall apply *mutatis mutandis*. Provided that if the wastage in any brewery exceeds seven percent of the total quantity actually brewed as entered in the brew book by the licensee or as ascertained by the inspector and entered in his survey book in Form B-6 whichever is higher, the licensee shall pay duty at the prescribed rates on the excess wastage.

(Rule 35 of the Punjab Brewery Rules 1956)

4.6 List of various forms/registers required to be maintained at a Brewery is given in the Annexure.

ANNEXURE

Referred to in para (4.6)

List of forms registers to be maintained at the Brewery

No. of form	Kind of Register
B.1	License to work a brewery and to bottle beer made therein.
B.2	Brewer's entry
B.3	License's bond.
B.4	Register of gauging table (To be maintained by the Inspector).
B.5	Brewing Book.
B.6	Survey Book.
B.7	Beer duty voucher.
B.8	Notice to pay beer duty (To be maintained by the Brewery Inspector).
B.9	Destruction certificate.
B.10	Certificate as to spoilt beer used in distillery or for conversion into vinegar.
B.11	Abstract of brewing operations during the quarter.
B.12	General Register (Maintained in 9 parts).
B.13	Quarterly statement showing the quantity of beer issued to troops in Haryana and other States from the brewery during the quarter.
B.15	Register regarding issue of beer.
B.15-A	Register showing the amount of duty realized or collection of daily brews.
B.16	Bond regarding payment of duty on beer at the end of each quarter.
B17	Form of guarantee.

CHAPTER –V

BONDED WAREHOUSES

5.1 Bonded Warehouse is defined as a Warehouse licensed by the Financial Commissioner for the receipt and storage under bond bottled liquor of Indian manufacture transported or imported into Haryana from any place within the Indian union, as approved by the Haryana Government for transport or export in bond, or on payment of duty within or outside the State.

In the Punjab Bonded Warehouse Rules, 1957

- (i) Licensee means a person or a firm or a company to whom a license has been granted for establishing and running a bonded warehouse.
- (ii) Officer-in-charge means an officer of the Excise Department deputed to supervise work in the bonded warehouse.
- (iii) “Spirit store” means that part of the bonded warehouse, which is set for the storage of liquor including both bottled and bulk.
- (iv) “Liquor” means country spirit Indian made foreign spirit, rectified spirit, and beer. It Includes both bulk and bottled.

(Rule 1 of the Punjab B.W.H. Rules, 1957)

Conditions for grant of license

5.2 The license to establish a bonded warehouse shall be granted in form B.W.H. 2 by the Financial Commissioner on an application in form B.W.H.1.

The application for the grant of license shall be made in writing in form BWH 1, which shall be accompanied by a treasury receipt of Rs. 2,500 (Rs. Two thousand and five hundred) as an application fee. The license shall be granted in form BWH 2. The Financial Commissioner may grant the license in form BWH 2, subject to the deposit of security not exceeding Rs. 25,000 in amount or execution of bond in form BWH 3 for the same amount as security for the fulfillment of all the conditions of the license. The application fee of Rupees Two Thousand and five hundred shall be refundable to the applicant in case his application is rejected.

(Rule 2 and 3 of Punjab BWH Rules, 1957)

Period of license (rule 4 and 5 of the Punjab BWH Rules 1957)

5.3 The license may be granted or renewed on payment of Rs.15,00,000 as license fee for the period of not exceeding one year and ending the 31 March, following the date of grant. Ordinarily no work shall be carried on, on any holiday. If however, the licensee desire to carry on work on holiday, he shall do so subject to the payment of Rs. 5 into the Government Treasury per day or a part of a day which is a holiday and on which the warehouse is kept open for work. An account of the overtime fee thus charged shall be maintained by the Officer-in-charge in Form D-23

Explanation: - Work shall mean any normal operation connected with reduction a bottling of Liquor.

5.4 Liquor may be obtained in bond without payment of duty from any distillery or warehouse in Haryana or outside under orders of the Financial Commissioner and on a permit issued by the Deputy Excise and Taxation Commissioner of the Division.

(Rule 6 of the Punjab B.W.H. Rules 1957)

Verification of consignments

5.5 No liquor shall be received in the bonded warehouse unless accompanied by a pass from the officer in charge of the distillery or bonded warehouse from which it has been imported or transported.

Immediately on arrival of a consignment at the bonded warehouse the Officer-in-charge shall be informed and the consignment shall not be opened until the same has been examined and verified with the pass by the Officer-in-charge who shall note the results in the register maintained for the purpose and also on the pass covering the consignment.

(Rule 7 of the Punjab B.W.H. Rules 1957)

Wastage Allowance

5.6 A wastage allowance of not exceeding one percent shall be made for the actual loss in transit by leakage or breakage of vessels or bottles containing liquor, The allowance shall be determined by deducting from the quantity dispatched the quantity received at the destination Both quantities being stated in terms of proof litres of spirit contents in case of beer in bulk litres. If the report of the officer-in-charge shows that the wastage exceeds the prescribed limit the licensees shall be liable to pay duty at the prescribed rate

as if the wastage in excess of the prescribed limit had actually been removed from the warehouse:-

Provided that each case of excessive wastage shall be reported to the Commissioner for orders who may in his discretion on good cause being shown, remit the whole or a part of the duty leviable on such wastage.

(Rule 8 and 9 of the Punjab B.W.H. Rules 1957)

Import/Transport of liquor under bond

5.7 Liquor shall be imported/transported under bond in accordance with the Punjab Liquor Permit and Pass Rules at the sole risk and responsibility of the licensee. The bond in form L-37 shall be discharged after liquor has been duly checked and proved by the officer-in-charge and deposit in the warehouse. Government shall not be held responsible for the destruction, loss or damage by fire, accident, theft or any other cause whatsoever, occurring to any liquor stored in the warehouse or during its transit to the warehouse. In such a case, an enquiry shall be held by the Deputy Excise and Taxation Commissioner/Officer or by any Gazetted Officer deputed by him on his behalf, A report shall be submitted to the Financial Commissioner for his orders, If it is found that such a loss could have been prevented by reasonable precautions on the parts of the licensee he may be required to pay duty for loss on liquor thus caused. The decision of the Financial Commissioner in the matter shall be final and binding on the licensee.

(Rule 10 and 11 of the Punjab B.W.H. Rules, 1957)

Removal/issue of liquor

5.8 An account of all receipts into and issues of liquor from the warehouse shall be maintained in register in forms B.W.H. 8, D.13, D.13B, D.14, D.14A, B.15 and B.15A. All issues shall be made only on application by the licensee, bearing necessary court fee stamp.

The licensee shall submit at the end of each month a statement in form D-13 in duplicate to the Officer-in-charge who shall after verification submit them to the Deputy Excise and Taxation Commissioner ; one copy shall be retained by him and the other shall be forwarded to the Financial Commissioner for information and record in his office.

Removal of liquor

The liquor may be removed from warehouse:-

- (i) Under bond.

(a) for transport/export to other bonded warehouse

(b) For export to other states or Union Territories in India when specially permitted by the Commissioner.

(ii) On payment of duty within the State or outside the State.

(Rule 17, 18 and 20 of the Punjab B.W.H. Rules 1957).

5.9 (i) (a) No liquor shall be removed from the warehouse, until it has been checked and approved by the Officer-in-charge and a transport or export pass in form D-20 or L-34 as the case may be has been granted.

(b) In case of issue of liquor under bond, the licensee shall execute a bond in form L-37 to deliver the spirit at a particular place or destination and shall furnish proof on his having done so before the bond can be discharged.

(ii) If the licensee prefers not to pay duty at the time, he may remove the liquor subject to the adjustment of such duty against and advance payment made by him into a Government treasury and an account of the duty recoverable on such removals shall be maintained in register in Form D-15 such an advance payment shall not be less than Rs. 2,000 and each time and advance is replenished it must be a sum that will bring it up to at least Rs 2,000.

(Rules 21 and 22 of the Punjab B.W.H. Rules 1957)

Stock taking of liquor

5.10 Stock taking of liquor, both bottled and bulk shall be made by the Officer-in-charge on the last working day of each month after all the transactions for the day have been completed. This stock would also be checked by the Excise and Taxation Officer in whose district the bonded warehouse is situated.

The licensee shall be responsible for preventing all leakages from pipes, vats and other vessels containing liquor.

(Rule 24 of the Punjab B.W.H. Rules 1957)

5.11 If, the licensee infringes or abets the infringement of any of the conditions of his license, the Deputy Excise and Taxation Commissioner may revoke and determine the licensee and forfeit to Government the whole or any part of the security deposit:

Provided that if the infringement is of minor nature, the license may be restored and the order forfeiting the security may be set aside on payment of a sum not exceeding Rs. 500

(Rule 25 of the Punjab B.W.H. Rules 1957)

5.12 The Officer-in-charge shall maintain a diary in form D-9 in which he shall record from day to day all entries regarding operation carried on in the warehouse.

(Rule 30 (i) of Punjab B.W.H. Rules 1957)

Necessity of issuing a pass for removal of liquor

5.13 No liquor shall be issued except under a pass granted by the officer- in- charge.

The office in-charge shall issue of the same day liquor indented on indents received upto 12 noon.

A pass for the removal of liquor fit for human consumption may be granted in favour of the following persons only, namely:-

(a) a person certified to be holding a license in Haryana or any other State or Union Territory to sell such liquor by wholesale or retail and when the liquor is to be transported or exported beyond the limits of the district in which the warehouse is situated, holding a permit signed by the Deputy Excise and Taxation Commissioner of the Division or other Officer authorized in that behalf of the State of destination.

(b) a person holding a permit signed by the excise authority of a Union Territory or by the district excise authority of a district in any State of the Indian Union, for the export such liquor from Haryana into the Union Territory of State and:-

(c) The license in respect of spirits issued as samples:-

Provided that liquor issued as samples does not exceed 22.5 proof litres per month and an account is maintained in a monthly register in form D-24 which will be subject to periodical check by a competent excise authority.

(Rule 48, 49 and 50 of Punjab B.W.H. Rules 1957)

Conditions for removal of spirit/liquor without payment of duty

5.14 In addition to the methods of payment of duty in cash or adjustment of the same against an advance paid into the government treasury, liquor may be removed from a warehouse.

(a) Free of duty in bond, and

(b) On the execution of bond in form D-19 for the payment of duty. Removals under both these methods shall require sanction of the Financial Commissioner. If the officer in charge is satisfied that the applicant is entitled under the foregoing rules to remove liquor and that the duty has been paid or accounted for or that the necessary bond has been executed, he shall issue the liquor. At the same time he shall make over pass in the Form prescribed (Form D-20 or L-34) sending a duplicate to the Excise and Taxation Officer/the Excise authority of the district of destination.

In all matters not specified in these rules, the Punjab Distillery Rules and the Punjab Brewery Rules shall apply mutatis mutandis.

(Rules 51, 52 and 54 of the Punjab B.W.H. Rules 1957)

5.15 List of various forms/registers required to be maintained at the Bonded Warehouse is given in the Annexure.

ANNEXURE

(Referred to in Para 5.15)

The following Registers and Form have been prescribed.

1.	Form B.W.H.	Application Form
2.	Form B.W.H.	License Form
3.	Form B.W.H.	Licensee's bond
4.	Form B.W.H.	General Regarding (register building machinery equipment etc.)
5.	Form B.W.H.	Table book spirit vats.
6.	Form B.W.H.	List of persons employed in the warehouse
7.	Form B.W.H.	Licensee's stock register of empty bottles
8.	Form B.W.H.	Register of receipts and disposal of liquors

The following distillery and brewery forms and registers will apply mutatis in the case of bonded warehouses.

1.	D-9	Inspector's diary.
2.	D-13	Issue register
3.	D-13B	Bottling operation register
4.	D-14	Bulk store and issue register
5.	D-14A	Bottled spirit store and issue register
6.	D-15	Advance duty register
7.	D-16	Spirit compounded, issued and passed into stock register.

8.	D-17	Lock tickets
9.	D-18	Vat tickets
10.	D-19	Bond regarding payment of duty in arrears.
11.	D-20&L34	Pass for the removal of liquor from warehouse
12.	D-22	Weightment register
13.	D-23	Overtime duty fee register
14.	D-24	Monthly register of sample.
15.	D-15	Register regarding issue of beer from the warehouse
16.	15-A	Duty realized on beer.

In case of any dispute in the interpretation of rules, the opinions of the Financial Commissioner shall be final.

(Rules 55, 56, 57 of Punjab B.W.H Rules 1957)

CHAPTER VI

PHARMACIES

Basis of duty

6.1 The levy of duty on medicinal and toilet preparations containing alcohol, opium, Indian hemp or other narcotic drug or narcotics falls within the legislative purview of the Parliament, -vide entry No. 86 of the Union List embodied in the seventh schedule of the Constitution of India. The Medicinal and Toilet preparation (Excise Duties) Act, 1955 was enacted by the Parliament and Rules there under called the Medicinal and Toilet Preparations Rules 1956 were framed by the Central Government. The State Excise Department however, administers the above Act and Rules for the purpose of levy and Collection of duties on medicinal and toilet preparations and retains the proceeds thereof.

Salient features of the Medicinal and Toilet Preparations (Excise Duties) Act, 1955

6.2 Some of the important features of the Act and rules made there under are as follows:

(i) **Issue of license for manufacturing**—Under Section 6 of the Medicinal and Toilet Preparations Act, no dutiable goods can be manufactured without appropriate license granted in accordance with the rules framed there under. The license for the manufacture of dutiable goods are issued on payment of prescribed fee as laid down in the Rule 83 and 96 and on furnishing the necessary security.

(ii) (a) **Manufacture in Bond**—Where the Medicinal and Toilet preparations are manufactured in bond the Excise duty is leviable in the State in which such goods are released from a bonded ware-house for home consumption whether such state is State of manufacture or not.

(b) **Manufacture not in bond.**- Where the Medicinal and Toilet preparation are not manufactured in bond the duty is leviable in the State in which such goods are manufactured (Section 3 of the Medicinal and Toilet Preparations (Excise duties) Act,1955).

(iii) The duty leviable on all dutiable goods manufactured in India and used on medicinal and toilet preparations is given in the Annexure for the purpose of levy of duty, the medicinal preparations have been classified into two broad categories viz Restricted preparations i.e. capable of being consumed as ordinary alcohol bewarages and unrestricted preparation i.e. not capable of

being consumed as ordinary alcohol beverages. On restricted preparation the rate of duty is higher than on unrestricted preparations.

(iv) Issue of spirit to bonded pharmacies without payment of duty.- Bonded pharmacies obtain rectified spirit without payment of duty from the distilleries and are required to pay duty on medicinal and toilet preparations containing alcohol etc. as and when issues of medicines are taken from the manufactory.

Levy and Refunds of and Exemption from Duty Recovery of duty.

6.3 Every person who manufactures any dutiable goods or who stores such goods in a warehouse shall pay the duty or duties leviable on such goods under the Act at such time and place and to such person as may be designated in, or under his authority of these Rules. Whether the payment of such duty or duties is secured by bond or otherwise.

(Rule 6 of the M& T Preparations Rules 1956)

Exemption from duty on Medicinal preparations for Government and Charitable Institutions

6.4 (1) Except as provided in sub-rule (2) no duty shall be collected on medicinal preparations containing alcohol manufactured in India and supplied direct from bonded manufactory or a warehouse to the following institutions :-

a) Hospitals and dispensaries working under the supervision of the Central Government or a State Government;

b) Hospitals and dispensaries subsidised by the Central Government or State Government;

c) Charitable hospitals and dispensaries under the administrative control and management of local body;

d) Medical store Depot of a Central Government or a State Government; and

e) Every other institution certified by the Principal Medical Officer of the district in which such institution is situated as supplying medicines free to the poor.

(2) If in the supply of any medicinal preparation made direct to all or any of the institutions referred to in sub-rule (i), any loss or shortage is detected at the destination, the manufacturer or the licensee of a warehouse, as the case may be, shall be liable to pay duty on such loss or shortage at the rate

in force on the date on which such loss or shortage is detected or made known to the proper officer.

Provided that if it is proved to the satisfaction of the Excise Commissioner that the loss or shortage was due to circumstances over which the manufactory or licensee as the case may be, had no control. The Excise Commissioner may remit the whole or part of the duty payable.

(Rule 7 of M & T Preparation Rules 1956)

Refund claim within six month.

6.5 No refund of duties or charges erroneously paid is allowable unless a written claim is preferred within six month from the date of such payment.

(Rule 13 of M & T Preparation Rules 1956)

Export

6.6 Medicinal and Toilet preparation may be exported out of India either under bond i.e. without prepayment of duty or after the duty having been paid in which case the exporter is entitles to a rebate of duty on furnishing proof of export.

Export to be duty free

6.7 Dutiable goods may be exported out of India, without payment of duty, from warehouse or a bonded manufactory provided that export is made in accordance with the procedure laid down vide Rules 97 to 103 of M& T P Rules 1956 and the owner enters into the bond in Form B-3 with such surety and under such conditions as the Excise Commissioner approve.

Rebate of duty on goods exported

6.8 The Haryana Government shall subject to such safeguards conditions and limitations as are specified in Chapter VII of M&T Prep. Rules, grant rebate of duty on dutiable goods, if exported out of India.

Dutiable goods may be exported out of India, without payment of duty, from a warehouse of a bonded Manufactory, provided that export is made in accordance with the procedure set out in the relevant provisions of Chapter VII of M&T Prep, rules and the owner enters into a bond in Form B-3 with the surety/sufficient security approved by the Excise Commissioner in a sum equal at least to twice the duty chargeable on goods.

(Rule 14 &15 of M&T preparation Rules 1956)

Penalty for failure to furnish proof of export within the prescribed period.

6.9 When any person authorized to export dutiable goods in hand in accordance with the Chapter VII of M&T Prep. Rules fails to furnish proof of such export to the satisfaction of the Excise Commissioner he shall upon a written demand being made by the Officer in-charge pay the duty leviable on such goods and shall also be liable to a penalty which may extend to twice the amount of duty subject to maximum of Rs. 2,000 and until such duty and penalty are paid Excise Commissioner may refuse to permit such person to make further export of such goods.

(Rule 17 of M&T Preparation Rules 1956)

Loss of rectified spirit in transit

6.10 If, in any particular case it is proved to the satisfaction of the Excise Commissioner that the loss of rectified spirit in transit is bona fide and not due to negligence or connivance on the part of the manufacturer, the duty payable in respect of such loss may be waived in full or in part according to the merits of the case.

Except with the prior sanction of the State Government the concession in this rule shall not be applicable to issues of rectified spirit made to non – bonded manufactories.

Manufacture of Medicinal and Toilet Preparations containing alcohol shall be permitted in bond without payment of duty as well as outside bond. In the case of manufacture in bond alcohol on which duty has not been paid shall be used under excise supervision, and in the case of manufacture outside bond, only alcohol on which duty has already been paid shall be used.

(Rule 19 & 20 of M&T Preparation Rules 1956)

Proof of export necessary

6.11 When any person authorized to export dutiable goods in hand fails to furnish proof of such export to the satisfaction of Excise Commissioner he is liable to pay forthwith the duty leviable on such goods and also liable to a penalty up to twice the amount of duty subject to maximum of rupees two thousand.

Claim for rebate within one month

6.12 The procedure for export of duty paid medicinal and toilet preparation by the owner of a non bonded manufactory of by a wholesaler is laid down in rules 97 to 102 of the M&T Prep. Rules 1956, A claim for rebate of duty would be entertained duty if such claim is preferred within one month

from the date of issue of the certificate of the officer who examined the post or the post office of export, or the frontiers as the case may be.

(Rules 103 of M&T Preparation Rules 1956)

Records of bonded pharmacies

6.13 Manufacture of Medicinal and Toilet Preparations and records maintained in the bonded pharmacies.

All spirits received from the distillery under bond for manufacture of medicinal are entered in BM 1 Register of spirit. The spirit received from the distillery is then taken to store vats and the account thereof is maintained in BM 2 vat account. The stock account of spirit is maintained in RG II stock register in which all receipts issues and closing balance of spirit are shown. The actual physical balance at the close of the month is also taken to find out the storage wastage.

Indent for rectified spirit

6.14 Rectified spirit required for manufacturing Medicinal and Toilet Preparations shall be obtained on indent in Form I.D.-I tendered in triplicate of the Bonded, manufactory countersigned by the officer in charge, from any distillery or spirit warehouse approved by the Excise Commissioner.

(Rule 26 of M&T Preparation rules 1956)

Verification of rectified spirit received

6.15 Consignments of rectified spirit received under bond shall be verified in volume and strength and the receipt of such supply shall be entered in register in form RB-2. Subject to the provisions of Rule 19 of the M&T Preparation Rules, duty at the rate levied by the State Government on alcoholic liquors on all wastages shall be paid by the licensee of the bonded manufactory into a Government treasury, on receipt of a demand from the Officer-in-charge and a copy of the treasury receipt shall be sent to the Distillery Officer who shall there upon make the necessary adjustment in his register.

(Rule 27 of M&T Preparation Rules 1956)

Issues of rectified spirit from the spirit store

6.16. Rectified spirit shall be issued from the spirit store to the laboratory of the manufactory on a requisition of the licensee, which shall be made in form R.Q- I but only in such quantities as are in conformity with the formula laid down in the relevant pharmacopoeia or the formula of the patent and proprietary medicines displayed at the level of the container in the manner

prescribed in the Drug Rules 1945, for the time being in force for the particular preparation for which the alcohol is required. Rectified spirit shall not be issued for any purpose other than the manufacture of medicinal and toilet preparations in the laboratory.

{Rule 29 {1} of M&T Preparation Rules 1956}

ANNEXURE

(Referred to Para 6.2)

The rates of duty on medicinal and toilet preparations containing alcohol narcotic drugs or narcotics covered by Medicinal & Toilet Preparation (Excise Duties) Act,1955.

Description of dutiable goods	Rate of duty
Medicinal Preparation	
1 Allopathic Medicinal Preparation	
(i) Medicinal preparation containing alcohol which are not capable of being consumed as ordinary alcoholic beverages-	
(a) Patent or proprietary medicines	Twenty percent ad valorem
(b) Others	Do
(ii) Medicinal preparation containing alcohol which are capable of being consumed as ordinary alcoholic beverages---	
(a) Medicinal preparation which contain known active ingredients in therapeutic quantities	Twenty percent ad valorem
(b) Other	Twenty percent ad valorem
(iii) Medicinal preparation not containing Alcohol but containing narcotic drug or narcotics.	Twenty percent ad valorem
2 Medicinal preparations in Ayurvedic, Unani or other indigenous systems of Medicines.	
(i) Medicinal preparations containing self generated alcohol which are not capable of being consumed as ordinary alcoholic	Four percent ad valorem

beverages. (ii) Medicinal preparations containing self generated alcohol which are capable of being consumed as ordinary alcoholic beverages. (iii) All other containing alcohol which are prepared by distillation or to which alcohol has been added (iv) Medicinal preparation not containing Alcohol but containing narcotic drug or Narcotics. 3. Homoeopathic preparation containing alcohol	Do Six per cent ad valorem Twenty percent ad valorem Four percent ad valorem
Toilet Preparations	
4. Toilet preparation containing alcohol or narcotic drug or narcotics	Fifty percent ad valorem

1 Explanation I – “Patent or proprietary medicines” means any medicinal preparation which bears either itself or on its container or both, a name which is not specified in a monograph in pharmacopoeia, formulary or other publications notified in this behalf by the Central Government in the Official Gazette, or which is a brand name, that is, a name or a registered trademark under the trade and Merchandise Marks Act, 1958 (43 of 1958) or any other mark such to a symbol monogram label signature or invented words or any writing which is used in relation to that medicinal preparation for the purpose of indication or so as to indicate a connection in the course of trade between the preparation and some person having the right either as proprietor or otherwise to use the name or mark with or without any indication of the identity of that person.

Explanation II – Where any article is chargeable with duty at a rate dependent on the value of the article such value shall be deemed to be the value as determined in accordance with the provisions of section 4 of the Central Excises and Salt Act 1944 (1 of 1944).

Explanation III – (1) Notwithstanding anything contained in explanation II, the Central Government may, by notification in the Official Gazette, specify any dutiable goods, in relation to which it is required under the provisions of the Standards of Weights and Measures Act, 1976 or the rules made thereunder or under any other law for the time being in force, to declare on the package thereof the retail sale price of such goods, to which the provisions of clause (2) shall apply.

(2) Where dutiable goods specified under clause (1) are chargeable to duty with reference to value, then notwithstanding anything contained in explanation II, such value shall be deemed to be the retail price declared on such goods less such amount of abatement, if any, from such retail price as the Central Government may allow by notification in the Official Gazette.

(3) The Central Government may for the purpose of allowing any abatement under clause (2) take into account the duty of excise, sales tax and other taxes, if any, payable on such goods.

(4) Where on the package of any dutiable goods more than one retail sale price is declared, the maximum of such retail price shall be deemed to be the retail sale price for the purpose of (2)

(5) Where different retail sale prices are declared on different packages for the sale of any dutiable goods in packaged form in different area each such retail sale price shall be the retail sale price for the purpose of valuation of the dutiable goods intended to be sold in the area to which the retail sale price relates.

(6) For the purpose of this Explanation 'retail sale price' means the maximum price at which the excisable goods in packaged form may be sold to the ultimate consumer and includes all taxes local or otherwise, freight, transport charges, commission payable to dealers, and all charges towards advertisement, delivery, packing, forwarding and the like, as the case may be, and the price is the sole consideration for such sale.

CHAPTER - VII

LIQUOR LICENSE

Classes of Licenses and authorities empowered to grant and renew them

7.1 There are following classes of license in Haryana State under the State Excise Act. Their mode of grant and the authorities to grant and renew them shall be as noted against each:-

Form	Nature	Mode of grant	Authority	Empowered to renew
1	2	3	4	5
I. Foreign Liquor				
L .I	Wholesale and retail vend of foreign liquor.	Fixed Fee	Commissioner	Commissioner
L.I-A	Wholesale and retail vend of foreign liquor.	Do	Do	Do
L.I-B	Wholesale vend of Indian Made Foreign spirit for sale to L-1 licensee in the State	Do	Do	Do
L.1.B-I	License for import and sale of beer wines ciders and liquor from the distilleries and breweries of other States as well as Haryana.	Do	Do	Do
L-1B1A	License for wholesale vend of Ready to Drink Beverages (RTB) to trade only.	Do	Do	Do
L-1AB	License for non distillers brand	Do	Do	Do
L-1BF	License for Imported Foreign Liquor (IFL)	Do	Do	Do
L.1-.C	Right to sell Indian Made Foreign Liquor by the distillery/brewery/bottling plant/winery to L 1, L1-B located in State of Haryana.	Do	Do	Do
L.2	Wholesale and retail vend of foreign liquor to the public only	Auction or private contact	Commissioner	Not renewable
L.2-A	Retail vend of Rum and Gin of the strength of 50 Degree proof to the public only for consumption "off" the premises	Fixed Fee	Do	Do
L.3	Retail vend of foreign liquor in a hotel or dak bungalow	Fixed Fee	Commissioner	Commissioner
L.4	Retail vend of foreign liquor in a restaurant	Do	Do	Do

L.5	Retail vend of foreign liquor in a bar attached to a restaurant supplementary to Form L.4	Do	Do	Do
L.6	Retail vend of foreign liquor in a railway refreshment room	Do	Do	Do
L.7	Retail vend of foreign liquor in a railway dinning car	Fixed Fee	Financial Commissioner	Financial Commissioner
L.8	Retail vend of foreign liquor of the premises supplementary to L.3, L.4, L.6 and L.7.	Do	Commissioner except when supplementary to L.7 which shall be granted by the Financial Commissioner	Commissioner except when supplementary to L.7 which shall be renewed by the Financial Commissioner
L.9	Retail vend of foreign liquor in a military canteen including unit run by military canteens or those run regimentally on club lines or in canteens run by Border Security Force or National Security Guards or Indo Tibbat Border Police	Do	Collector on the recommendation of the Commanding Officer	Collector
L.10	Retail vend of beer for consumption on and off the Premises	Fixed and assessed Fee	Commissioner	Commissioner
L.10-A	Retail vend of beer having 3% alcoholic contents for consumption off the premises in rural areas only	Do	Do	Not renewable
L.10.B	License for promotion of wine and IFL(BIO) for retail sale of wine, to be given to Departmental Stores located in shopping malls with minimum carpet area of 500 square feet.	Fixed Fee	Do	Do
L.11	Bottling of foreign liquor	Do	Do	Collector
L.12	Vend of medicated Wines	Do	Do	Do
L.12.-A	Temporary license for the retail sale of foreign liquor at a bar in a theatre or cinema or in any other temporary place of recreation	Do	Do	Do
L.12-B	License for the retail vend of foreign liquor at a bar attached permanently to a theatre or cinema or other such place of entertainment	Assessed Fee (plus fixed fee in case of cinemas)	Do	Do

L.12-C	License for the retail vend of foreign liquor at a club of repute situated in and around big Cities	Fixed Fee	Do	Do
L.12-D	License for the manufacture and possession of sacramental wine for use on special occasions	Free	Commissioner	Commissioner
L-12G	A license exclusively for Golf Clubs up to 9 holes and above.	Fixed Fee	Do	Do
II Country Spirit				
L.13	Wholesale vend of country spirit	Fixed Fee	Do	Not renewable except by Commissioner when it is held by a distillery
L.13-A	Wholesale vend of Rum and Gin of the strength of 50 degree proof to the trade only.	Fixed Fee	Do	Do
L.14	Retail vend of country spirit for consumption on and off the premises	Auction or private contract	Commissioner Except that in the case of private contract the granting authority shall be Financial Commissioner	Not renewable
L.14-A	Retail vend of country spirit for consumption on and off the premises	Do	Do	Do
L.14AS V	Retail sub vend of rum and gin of the strength of 50 degree proof attached to L-14A vend for consumption of liquor "off" the premises.	Fixed Fee	Commissioner	Do
L.14-B	Retail vend of country spirit at a fair or on a special occasion	Do	Do	Do
L.15	Bottling of country spirit	Fixed Fee	Do	Do
L.16	Reduction of country spirit	Free	Do	Do
III. Denatured Spirit				
L.17	Vend of denatured spirit wholesale and/or retail	Fixed Fee and assessed fee	Commissioner	Do
IV. Rectified Spirit				
L.19	Vend of Rectified spirit wholesale and/or retail	Fixed Fee	Do	Do
V. Special				
L.21	Extension of hours during which sale is permitted	Fixed Fee	Do	Do

(Rule 1 and 2 of the Liquor License Rule, 1970)

Note:- All allotments of licenses shall be subject to the approval of the Excise and Taxation Commissioner (Financial Commissioner). The ETC (FC) may reject, without assigning any reason, any allotment in public interest as the case may be, within 10 days of the date of allotment, if no decision is conveyed within the stipulated period of 10 days, the allotment shall be deemed to have been approved by the ETC (FC)”.

Renewal of license:

7.2 A license is said to be renewed when it is continued after the period of its expiry by the same licensee in respect of the same premise, and whenever a license has been determined by reason of surrender, cancellation or order of non-renewal or other causes, or where it is proposed to issue a license in respect of premises or persons not previously licensed, a new license is required:

Provided that-

- (a) A new license is not required on account of the addition or removal of a partner on the application of all the partners or the change of representative of a company or society;
- (b) A license continued in favour of the legal representative of a deceased licensee for the remaining period of the license shall not be deemed to be new license;
- (c) if the premises of a license are changed during the period of its currency, the authority competent to grant the license may direct that the licence may be continued for the remaining period of the term on the existing fee;
- (d) A license may be transferred by the authority competent to grant it for the remainder of its currency to a new licensee.

(Rules 11 of the Liquor Rule, 1970)

Rule 13 of the Haryana Liquor License Rules 1970.

7.3 No person to whom license has been granted shall be entitled to claim any renewal thereof and no claim shall lie for damages or otherwise in consequence of any refusal to renew a license on the expiry of the period for which it remains in force. The list of all licensees requiring shall be accompanied in case of licenses granted on assessed fee by a certificate of sales

as required by 30, in the case of bottling licenses, by a similar certificate showing litres (London Proof) bottled up to December,31.

License of a distillery cannot hold other license except for wholesale vend i.e. L.1, L.13, L.17 and L.19.

7.4 No person holding a license for a distillery may hold any license under these rules except:-

- (a) A license in form L-1 for the vend of foreign liquor by wholesale.
- (b) A license in form L-13 for the wholesale vend for country spirit.
- (c) A license in form L-17 for the wholesale vend of denatured spirit.
- (d) A license in form L-19 for the wholesale vend for rectified spirit.
- (e) No person holding a license for brewery shall hold any license under these rules, except a license in form L-1 and L-10.

(Rule 16 of the Haryana Liquor License Rules, 1970)

7.5 The license shown in column 1 of the following table may only be granted to the person shown against them in column 2:-

Form of License	To whom granted
L-1	The holder of L-2 vends in his own name for operating at least 6 vends of retail outlets of IMFL in the district.
L-1-B	The holder of a distillery license.
L-1-C	The holder of distillery/ brewery/ bottling plant winery license.
L-5	The holder of a license in form L-4 (only the most superior establishment shall be so licensed) Holder of L-3 license shall not be granted L-5 License unless they are also in possession of L-4 License.
L-8	The holder of a License in form L-3, L-4, L-6 and L-7.
L-10A	To the holder of License in form L-14 and L-14A.
L-11	The holder of a License in forms L-1 and/or L-1A, L-2 or the holder of a license in form B.W.H.-2 to run an excise bonded warehouse.

L-12	A chemist or druggist of good standing.
L-13	Any L-14A Licensee who has obtained license in his own name for at least 9 vends of retail outlets of country liquor in the district.
L-14 A/SV	To the holder of a License in form L-14A
L-15	The holder of a License in form B.W.H.2 to run an excise bonded warehouse.
L-19	A person holding of a license in form L-12 or L-17 or a chemist or a druggist of good standing.
L-21	A person holding a License in form L-2.

(Rule 17 of the Haryana Liquor Rules, 1970)

General condition to all licenses.

The general conditions in connection with the licensees have been laid down in Rule 37 of the Haryana Liquor Rules, 1970.

Fees (Rule 23)

7.6 The fees payable in respect of the licenses under these rules are of the following kinds

- (a) Fixed fees.
- (b) Assessed fees
- (c) Fees determined by auction or private contract.

Fixed Fee (Rules 24)

Para 7.7

This Para may be substituted as under:-

“The following scale of fixed fee is hereby provided:-

(i)	For a license in Form L-1	Rs. 40,00,000 per annum
(ii)	For a license in Form L-1B	(a) Rs 15,00,000 per annum
(iii)	For a license in Form L- 1B1 For beer/wine	Rs. 15, 00,000 per annum
(iv)	For a license in Form L1-B1-A	Rs. 5 Lac per annum
(v)	For a license in Form L-1BF	Rs 15 Lac p.a up to 10,000 cases Rs 10 Lac p.a. for every subsequent slab of 10,000 cases.
(vi)	For a license in Form L-1C	Rs.1, 50,000 per annum
(vii)	For a license in Form L-3	Rs. 25,000 per annum
(viii)	For a license in Form L-4/L-5 i) For Hotels with 4 star	i) Rs. 30 lakh p.a

grading & having 75 rooms and above and 5 star Hotels. ii) for hotels having 4 stars but not falling in above category. iii) All other L-4/L-5 and L-12C Licenses in the State a) District Gurgaon. b) District Faridabad. c) All other Districts d) For Bars operated by Haryana Tourism Corporation. e) Bars operated by HUDA f) Fee for L-12G Golf Clubs. Up to 9 holes Above 9 holes	Rs.20 lakh p.a. Rs. 12.5 Lac Rs. 10 Lac 7.5 Lac A composite fee of Rs. One Crore A composite fee of Rs.50 Lac Rs. 20 Lac with 2 points Rs. 25 Lac with 4 points
(ix) For a license in Form L-8	Rs. 1, 50,000 per annum
(x) For a license in Form L-10B	Rs.10 Lac per annum
(xi) For a license in Form L-11	Rs. 30,00,000 per annum
(xii) For a license in Form L-12	Rs. 100 per annum
(xiii) For a license in Form L-1 AB1	Rs. 25 Lac p.a
(xiv) For a temporary license in Form L-12A	The fee shall be fixed by the financial Commissioner subject to the following limit. At all premises other than individuals own House/private premises, Rs. 1500/- per day per function..
(xv) For a license in Form L-12-B	A flat fee of Rs. 150 per annum in addition to the fee assessed according to the scale laid down in Rule 31.
(xvi) For a license in Form L-13	Rs. 7, 00,000 per annum.
(xvii) For a license in Form L-14A/SV	Rs.50,000 per annum Payable in advance.
(xviii) For a license in Form L-15	Rs.25,00,000 per annum
(xix) For a license in Form L-11 and L-15	(combined) Rs. 50, 00,000 per annum
(xx) For a license in Form L-19	Rs. 25 per annum
(xxi) For a license in Form L-21	At the discretion of Collector subject to maximum of Rs.200.
(xxii) For a license in Form L-10C	5 Lac per annum
(xxiii) For a license in Form L-10E	4 lac per annum
(xxiv) For a license in Form L-50	Rs. 200 per annum & Rs. 2000 for life time

Rule 25 of the Haryana Liquor License Rules 1970

A license in form L-12D for manufacture and possession of sacramental wine for use on special occasions is granted free of fees.

Rule 26

A license in form L-16 for the reduction of country spirit is granted free of fee.

(Rules 24, 25, 26 of Liquor Rules,1970).

Rule 27

7.8 (a) A license in form L 17 will be granted on fixed fees in addition to the fees assessed according to scale there under. The following are the rates of fixed fees:-

(i) Rs. 10,000 per annum for a license for one year to possess a quantity not exceeding 2,000 bulk litres of denatured spirit at one time.

(ii) The assessment shall be based on the following scale Rs. 3 per bulk litre.

(iii) The fixed fee is payable in advance and the assessed fee shall be recovered at the time of issue of the permit in form L-32 prescribed under Punjab Liquor Permit and Pass Rules,1932 :

Provided that no assessment fee shall be charged on the quantity of denatured spirit on which such fee has already been recovered in Haryana.

Rule 27-A

(1) The licenses in form L-10 and L-10A shall be granted on fixed fee as indicated below:-

(i) For a license in form L-10, Rs. 15,000 per annum.

(ii) For a license in form L-10A, Rs. 5,000 per annum:

(iii) Wine and sweets Rs 1.25 per bottle.

Provided that a license in form L-10 shall not be issued unless a refundable security of Rs.5,000 is deposited which shall be liable to be forfeited or adjusted for any amount or penalty due under the Act.

In addition to the fee payable under sub-rule (1) of this rule, an assessed fee shall be paid according to the following scale:-

Kind of spirit	Rate of assessment
(i) Imported and Indian made cider	Rs. 0.50 per bottle of 650 ML
(ii) Imported and Indian made beer	Rs. 0.25 per bottle of 650 ML

Provided that Indian made beer having alcoholic contents up to 3 per cent shall be exempted from payment of assessment fee.

(3) The assessed fee shall be recovered at the time of issue of the permit in form L-32 prescribed under the Punjab Liquor Permit and Pass Rules, 1932.

Assessed fee

7.10 The licenses in form L-6, L-7, L-9 and L-12-B shall be granted on payment of fees assessed in respect o them under these rules.

(Rule 28 of Liquor Rules, 1970).

7.11 When any of the above license is renewed, the collector shall assess the fee on the scale laid down in rule 31. In order to estimate the sales on which the fees for ensuing year shall be assessed, the Collector, shall obtain, from the Excise Inspector through the Excise and Taxation Officer a certificate as regards the sales made from the 1st January to the 31st December last in which the Inspector shall certify that the registers in which sales are recorded have been personally verified by him and that totals of the sales are correct.

Rate of assessment of the vend fee per bulk litre.

7.12 The assessment fee will be based on the following rates on sales per bulk litre:-

Kind of license	Spirit		Beer/Cider etc.		
	Indian made	Imported	Wine	Indian made	Imported
	Rs.	Rs.	Rs.	Rs.	Rs.
L-9 (i) Except rum	4	7.50	2	0.10	0.10
(ii) on rum	5.25
L-6, L-7 and L-12-B	6.20	8.80	1.80	0.10	0.35

7.13 List of records required to be maintained under Haryana Liquor License Rules, 1970 is given in the Annexure. Provided that if any L-12B License is attached to a cinema, it shall also pay a flat fee of Rs. 150 per annum in addition the fee assessed according to the scale laid down above. Provided further that in case of hill stations the flat fee shall be calculated at the rate of

Rs. 12.50 per month or part of a month during which the cinema remains open. The licensee shall pay Rs. 150 in the first instance a claim refund at the end of the financial year.

(Rule 30 and 31 of Liquor Rules, 1970).

ANNEXURE

(Referred to in Para 7.14)

Registers Record to be maintained under Haryana Liquor License Rules, 1970

Form L-22	To be maintained by every person holding a license in Form L-1 and L-2 for the wholesale and retail vend of Foreign liquor.
Form L-23	To be maintained by every person holding a license in form L-3 to L-10, L-12A, L-12B and L-12C for the Retail vend for foreign liquor.
Form L-24	To be maintained by every person holding a license in form L-11 for bottling of foreign spirit.
Form L-25	To be maintained by every person holding a license in form L-13 for the wholesale vend of country spirit.
Form L-26	To be maintained by every person holding a license form L-14, 14A or 14B for the retail vend of country spirit.
Form L-28	To be maintained by every person holding a license in form L-12 for the bottling of country spirit.
Form L-29	To be maintained by every person holding a license in form L-12 for the sale of medicated wines.
Form L-30	To be maintained by every person holding a supplementary license in form L-16 for the reduction of country spirit.
Form L-31	To be maintained by every person holding a license in form L-17 or L19 for sale denatured or rectified spirit.
Form M-14	Statement showing the result of auction of urban licenses for retail vends (to be prepared by the Excise Inspector soon after the conclusion of the auction).
Form M- 14A	Statement showing the result of auction of rural licence for retail vends (to be prepared by the Excise Inspector soon after the conclusion of the auction).
M-16	Statement showing the results of resale of license for vend of liquor (To be prepared by the Excise clerk when the resale takes place).
M-24A	Receipt for the advance money deposited under the Haryana Liquor License Rules, 1970.
M-66	Monthly return of sales of foreign liquor whether by wholesale or by retail.
M-67	Monthly return of sales of country spirit by wholesale.
M-68	Monthly return of sales of country spirit by retail sale.
M-69	Monthly return of bottling operation.
M-70	Monthly return of reducing operation.
M-71	Monthly return of rectified/denatured spirit.
M-72	Monthly return of sales of Medicated wines etc.

CHAPTER – VIII

A. OFFENCES AND PENALTIES

Penalty for unlawful import, export, transport, manufactures, possession sale etc.

8.1 (a) Whoever imports, exports transports, manufactures, collects, or possess any intoxicant or

(b) Constructs or works any distillery or brewery or

(c) Uses, keeps or has in his possession any materials, still, utensil, implement or apparatus whatsoever for the purpose of manufacturing any intoxicant other than the tari in contravention of any section of the Punjab Excise Act and rules made there under, shall be punishable for every such offence with imprisonment with a minimum term of 60 days which may extend to three years and with fine not less than Rs. 5000 and not more than Rs. One lac or both

Penalty for unlawful import, transport, export, manufactures, possession, sale etc.

8.2 (A) Whoever in contravention of any section other than 29 and 30 of the Punjab Excise Act or of any rule, notification issued or given there under or order made, or any license permits or pass granted under ibid:-

(a) sells any intoxicant or

(b) cultivates the hemp plant or

(c) removes any intoxicant from distillery, brewery, or warehouse established or licensed under Punjab Excise Act or

(d) bottles any liquor for the purposes of sale or

(e) taps or draws tari from any tari producing tree shall be punishable with imprisonment for a term which may extend to two years and fine which may extend to twenty five thousand rupees.

(Section 61 of the Punjab Excise Act, 1914)

8.2 (B) **Penalty for offences not triable by court:-** whosoever, in contravention of any provision of this Act, rules, notification issued, or order made, or any license, permit, or pass granted under this Act, imports, exports, transports or possesses any liquor in excess of 120 bottles of 750 milliliters each by means of transport, be detained by an Excise Officer who shall make a report to the Deputy Excise and Taxation Commissioner as well as to the

Collector within 24 hours of such detection. The Collector or Deputy Excise and Taxation Commissioner, as the case may be, may in addition to the confiscation of liquor, levy penalty of not less than thirty thousand rupees and not more than three lakh rupees on the offender and the owner of the means of transport after giving them a reasonable opportunity of being heard.

(Section 61A of the Punjab Excise Act, 1914)

Penalty for unlawfully selling to persons under twenty five, or employing them or women.

8.3 If any license vendor, or any person in his employ or acting on his behalf: -

- (a) in contravention of Section 29 sells or delivers any liquor or intoxicating drug to any person apparently under the age of twenty five years or
- (b) in contravention of section 30, employs or permits to be employed on any part of his licensed premises referred to in that section any man under the age of twenty five years or women or
- (c) sells any intoxicant to a person who is drunk or intoxicated or
- (d) permits drunkenness, intoxication, disorderly conduct or gaming on the licensed premises or such licensed vendor or
- (e) permits any person whom he knows or has reason to believe to have been convicted of any non-bailable offence or any reputed prostitute to frequent his licensed premises whether for the purposes of crime or prostitution or not he shall in addition to any other penalty to which he may be liable to be punishable with a fine which may extend to five thousand rupees.

When any licensed vendor or any person in his employ or acting on his behalf is charged with permitting drunkenness or intoxication on the licensed premises of such vendor and it is proved that any person was drunk or intoxicated on such premises it shall lie on the person charged to prove that the licensed vendor or the person employed by him or acting on his behalf took all reasonable steps for preventing drunkenness or intoxication of such premises.

(Section 62 of the Punjab Excise, Act, 1914)

Penalty for rendering or attempting to render denatured spirit fit for human consumption.

8.4 Whoever renders or attempts to render fit for human consumption any spirits whether manufactured in India or not, which has been denatured, or has in his possession any spirit rendered fit for human consumption in respect of which he knows or has reasons to believe that any such attempt has been made, shall be punishable with imprisonment for a term which shall not be less than six months and more than three years and with the minimum fine of five thousand rupees and a maximum fine up to ten thousand rupees.

(Section 63 of the Punjab Excise Act 1914)

Penalty for possession of unused and printed labels, corks, etc in contravention of section 24-A/B

Whoever in contravention of the provisions of section 24-A has in his possession any unused and printed labels, cork capsule or seal or an imitation thereof, shall be punishable with imprisonment for a term which may extend to six months and with fine.

Penalty for fraud by licensed manufacturer or vendor or his servant

8.5 If any licensed manufacturer or licensed vendor or any person in his employ or acting on his behalf:-

- (a) sells or keeps or exposes for sale, as foreign liquor and liquor which he knows or has reason to believe to have been manufactured from rectified spirit or country liquor or
- (b) marks any bottle, case, packages, or other receptacle containing liquor so manufactured from rectified spirit or country liquor or the cork of any such bottle or deals with any bottle, case, package or receptacle containing such liquor with the intention of causing it to be believed that such bottle, case, package, or other receptacle contains foreign liquor;

he shall be punishable with imprisonment for a term which may extend to three months and with fine which may extend to five thousand rupees.

(Section 64 of Punjab Excise Act, 1914)

Penalty for certain act by licensee or his servant

8.6 Whoever being the holder of a licensed, permit or pass granted under Punjab Excise Act or being in employ of such holders or acting on his behalf:-

(a) fails wilfully to produce such license, permit or pass on the demand of any excise officer or of any other office duly empowered to make such demand or

(b) in any case not provided for in section 61 willful contravenes any rule made under section 58 or section 59 or

(c) Wilfully does or omits to do anything in breach of any of the conditions or the license, permit or pass not otherwise provided for in the Act *ibid*, shall be punishable with imprisonment which may extend up to six month and with fine of nor less than two thousand rupees and not more than ten thousand rupees.

(Section 65 of the Punjab Excise Act, 1914)

Penalty for consumption in chemist's shop etc.

8.7 (1) if any chemist, druggist, apothecary or keeper of a dispensary allows any intoxicant which has not been bona fide medicated for medicinal purpose to be consumed on his business premises by any person not employed in his business, he shall be punishable with imprisonment of term which may extend to three months and with a fine which may extend to one thousand rupees.

(2) If any person not employed as aforesaid consumes any such intoxicant on such premises he shall be punishable with a fine which may extend to two hundred rupees.

(Section 66 of the Punjab Excise Act, 1914)

Penalty for failure to furnish proof of export within the prescribed period.

8.8 When any person authorized to export dutiable goods in bond in accordance with the provisions of Chapter VII of M&T Preparation Rules fails to furnish proof of such export to the satisfaction of the Excise Commissioner, he shall pay the duty leviable to such goods and shall also be liable to penalty which may extend to twice the amount of duty subject to maximum of Rs.2,000 and until such duty and penalty are paid, the Excise Commissioner may refuse to permit such person to make further export of such goods.

(Rule 17 of the M&T Prep. Rules 1956)

Penalties and confiscations

8.9 Under rules 123 to 125 of the M&T preparations Rules, 1956 where any thing is liable to confiscation or any person is liable to penalty, such confiscation or penalty shall be adjudged by the Excise Commissioner or such

other Excise Officer as may be empowered by the State Government and where no penalty is provided, a breach of these rules shall be punishable with a fine which may extend to one thousand rupees and with confiscation of the goods in respect of which such breach is committed.

8.10 The Excise Commissioner or any Excise Officer specially empowered by him in his behalf, may accept, from any person whose property liable to confiscation under M&T Preparation Act 1955 or the rules framed thereunder or who is reasonably suspected of having committed the offence under the Act, a sum of money not exceeding two thousands rupees in lieu of confiscation of goods or of punishment for breach of any provision of the Act or the Rules.

(Rules 123 to 125 of the M&T Prep. Rules 1956)

(Rules 127 of the M&T Prep. Rules, 1956)

Appeals

8.11 An appeal against an order of an officer other than an Excise Commissioner shall lie to the Excise Commissioner of the State:

Provided that an appeal against an order passed by the Excise Commissioner shall lie to the State Government:

Provided further that if between the date of the order or decision appealed against and the date of the hearing of the appeal, the officer who passed the order or decision is promoted to be the officer to have such appeal such appeal shall be heard by an officer superior in rank to such officer.

8.12 Every appeal under Rule 127 of the M&T Preparation Rules, 1956 should be filed within three months of the date of the decision or order appealed against an order passed in appeal under this rule shall, subject to the power of revision conferred by rule 129 of the said Rules, be final.

B. SEARCHES, SEIZURES AND CONFISCATIONS

8.13 (1) Whenever an offence punishable under Punjab Excise Act, 1914 has been committed the articles material involved as given below in such offences shall be liable to confiscation :-

- (a) Every intoxicant or excise bottle in respect of which such offence has been committed together with the contents of such bottle, if any,
- (b) Every still, utensil, implement or apparatus and all materials in respect of or by means of which such offence has been committed,

- (c) Every intoxicant or excise bottle lawfully imported, transported manufactured, in possession or sold along with or in addition to any intoxication excise bottle liable to confiscation under clause (a),
- (d) Every receptacle, package and covering in which any intoxicant or excise bottle materials, utensil, implement or apparatus as aforesaid is or are found together with the other contents (if any) of such receptacle or package ,and
- (e) Every animal ,cart , vessel, raft, or other conveyance used in carrying such receptacle, package, covering or article as aforesaid; shall be liable to confiscation;

Provided that when it is proved that the receptacle animals or other articles specified in clauses (d) and (e) are not the property of offender they shall not be liable to confiscation if the owner thereof established that he had no reason to believe that such offence was being or was likely to be committed.

(2) When in the trial of any offence punishable under this Act the Magistrate decides that anything is liable to confiscation under sub-section (i) he may order confiscation:

Provided that in lieu of ordering confiscation he may give the owner of the thing liable to confiscation an option to pay such fine as the Magistrate thinks fit.

(3) when an offence under clause (aaa) subsection (i) of section 61 is committed under this act and the collector decides that any thing is liable to confiscation under sub-section (i), he may order the confiscation:

Provided that in lieu of ordering confiscation under clause (e) of sub-section (i) the collector may give the owner of the thing liable to be confiscated and option to pay such penalty as the collector imposes under section 61 of this Act.

(Section 78 of The Punjab Excise Act, 1914)

Further provisions for confiscation

8.14 When there is reasons to believe than an offence has been committed but the offender is not known or cannot be found and when anything or animal liable to confiscation and not in the possession of any person cannot be satisfactorily accounted, for , the case shall be inquired into and determined by the Collector who may order confiscation:

Provided that no such order shall be made until the expiration of one month from the date of seizing the thing or animal in question or without hearing the person (if any) claiming any right thereto and the evidence (if any) which he produces in support of the claim:

Provided further that if the thing in question is liable to speedy and natural decay or if the Collector is of opinion that the sale of the thing or animal in question would be for the benefit of its owner, the Collector may at any time direct it to be sold, and the provisions of this section shall so far as may be apply to the proceeds of such sale.

(Section 79 of The Punjab Excise Act, 1914)

Seizure

8.15 Any Excise officer not below the rank of a Sub-Inspector of excise may seize and remove or detain any goods in respect of which it appears to him the duty should have been but has not levied or that contravention of the provisions of the M&T preparation. Act or these rules framed there under has occurred. He may also seize and remove or detain any receptacle packages, or coverings in which such goods or articles are contained and animals, vehicles vessels or other conveyances used in carrying such goods or articles implements and machinery used in the manufacture of such goods.

(Rule 114 of the Medicinal and Toilet preparations Rules 1956)

8.16 The officers of Police Department shall take charge of the seized goods pending the orders of the Magistrate or Adjudicating Excise Officer.

(Rule 116 of the Medicinal & Preparations Rules 1956)

8.17 The owner or person having the charge of any animal seized and detained shall provide from day to day for its keep while detained and if he fails to do such animal may sold by public auction and the expenses, if any incurred on account of it defrayed from the proceeds of the sale.

When the order for the release of seized goods is passed and the owner does not within a period of one month appear to claim such thing and tender the duties penalties and charge, if any due in respect thereof it may be sold by public auction and such duties penalties and charges will be defrayed from the sale proceeds and surplus proceeds of a sale under M&T preparation Rules shall if not claimed by the owner of the things seized within a period of three months from the date of such sale be forfeited to the Collecting Government.

(Rule 119 of the M&T Preparation Rules, 1956)

CHAPTER –IX

MISCELLANEOUS PROVISIONS

A. PUNJAB EXCISE ACT,1914

Import, export and transport.

9.1(i) No intoxicant shall be imported, exported or transported except (a) after payment of any duty to which it may be liable under this Act or execution of a bond, for such payment and (b) in compliance with such conditions as the State Govt. may impose.

(Section 16 of the Punjab Excise Act, 1914)

(i) No intoxicant in excess of the prescribed quantity shall be imported, exported or transported without a pass issued under section 19 of the Excise Act.

(Section 18 of the Excise Act)

Sale/Removal of the intoxicant from distillery etc.

9.2(i) No intoxicant shall be removed from any distillery, brewery, warehouse, other place of storage established or licensed under Punjab Excise Act, 1914 unless the duty (if any) payable, has been paid or a bond has been executed for the payment thereof.

(Section 23 of the Excise Act)

(ii)No liquor shall be bottled for sale and no intoxicant shall be sold except under the authority and subject to the terms and conditions of license granted in that behalf provided that nothing in this section applies to the sale of any foreign liquor lawfully procured by any person for his private use and sold by him or on his behalf in interest upon his quitting station or after his decease.

(Section 26 of the Punjab Excise Act)

(iii) The stare Government, if satisfied, that it is necessary or expedient so to do, may by notification ,prohibit,-

(a) The sale of any intoxicant or restrict such sale by such conditions as it may notify, and

(b) The purchase and consumption of any intoxicant or restrict such purchase and consumption by such conditions as it may notify.

9.3 Fee by Auction

The license L-14, L-14A and L-14B are granted on fixed fee by auction,

Security

9.4 Under sub rule (24) of Rule 36 of Haryana Liquor License Rules, 1970 the successful tendered shall have to deposit 21 % of the bid money (license fee) as security for fulfilling the conditions of his license and observance of the excise rules. He shall have to deposit 5% “on the day of opening tender; 5% of the license fee within seven days of the allotment or on or before 31st March, which ever is earlier; and another 11% of the license fee shall be deposited by 7th of April. This security amount shall be allowed to be retained for the next year and shall be allowed to be adjusted in the last two installments of next year. No interest shall be payable to the licensee on the security amount deposited by him. In the event of security or any part thereof having been forfeited or adjusted, the deficiency shall be made good by the licensee within seven days of the happening of such event, failing which the license shall be liable to cancellation by the competent authority.

9.5 The successful tendered when granted a license shall pay by the 20th of every month in which he begin his business under his license and by the 20th of every subsequent month, an installment equal to 8.33% of the total annual license fee till the entire license fee has been paid. In the event of the failure to pay the monthly installment or any part thereof by the due date, the Deputy Excise and Taxation Commissioner of the concerned district may authorise the licensee to deposit the amount of installment or part thereof up to the last day of the month for which the installment is due on the condition that the licensee shall pay interest @ 2% per month from the first day of the month till the date of payment (the day of payment shall be included in calculating the interest). If the licensee fails to deposit the monthly installment by the end of the month, operation of the vends shall cease and his license may be cancelled by the competent authority after giving him opportunity of being heard. The authority may allow the operation, if the licensee satisfy the authority about his sound position. However, the licensee shall not claim any compensation/rebate for the closure period.

9.6 If any person whose tender has been accepted and he fails to make deposit of the amount of security in time or refuses to accept the license or after accepting the license fails to deposit the installment of license fee in time the license shall be resold by public offer or private contract by the competent authority and any deficiency in license fee and all expenses of such resale shall be recoverable from the said person in the manner as laid down in Section 60 of the Punjab Excise Act,1914.

9.7 When the license is cancelled, the Collector or any officer not below the rank of Deputy Excise and Taxation Commissioner authorized by the

Financial Commissioner in this behalf may sell it by inviting public tender, any deficiency in the license fee shall be recoverable from the defaulting licensee as arrears of land revenue. Besides the deficiency of the license fee for the expenses incurred on resale or attempted resale may also be recovered as arrears of land revenue from the defaulting tenderer, The presiding Officer/Collector or any other officer authorized to conduct the tender process shall communicate the result of such resale in the statement in Form M-14 to the Financial Commissioner in the same manner as a result of annual tenders for his approval. If no approval is received within ten days of the date of re-tender the presiding Officer/Collector shall presume the approval. The Deputy Excise and Taxation Commissioner shall communicate the change in the list of licenses to the superintendent of police of his district and Managers of the distilleries in Haryana to whom a list of such licenses has already been supplied. The amount realised from the previous licensee (including the security amount) deposit of 16.70% if not forfeited or adjusted under these rules and the amount paid by the incoming licensee together are less than amount previously tendered by the licensee together with the expenses, if any of resale, the deficiency shall be recoverable from previous licensee as arrears of land revenue. If these amounts, together are more than the amount previously tendered no refund shall be made to the previous licensee.

(Rule 36 of Liquor Rules)

C. PUNJAB FISCAL ORDER,1932

Rate duties as prescribed in Punjab Fiscal Order,1932.

9.8 The following shall be rate of duty leviable in respect of spirit removed from any of the distilleries licensed in Haryana or when imported into Haryana from any State or Union Territory in India per proof litre of the strength of London Proof to be increased or reduced in proportion, as the strength of spirit, exceeds or is less than London proof:-

Sr.No.	Kind of liquor or spirit	Rate of duty per proof litre (Rupees)
(1)	Country spirit (a)Plain (b)Ordinary spiced. (c)Plain when issued to troops. (d)Ordinary spiced when issued to troops.	11 11 11 11
(1A)	Double distilled plain spirit when issued to the L-11 licensees.	4
(2)	Rectified spirit(when issued for purposes other than or use in the manufacture of medicinal and toilet preparation)	15

(3)	Indian made foreign liquor except denatured Spirit.	50
(3A)	Malt spirit for L-11 licensees.	11
(4)	Indian made rum, when issued to troops through the Canteen Stores Department (India) or he Border Security Forces through their Commandant.	30
(5)	(i) Foreign spirit including scotch (ii)Cider (iii) Sweet wine (a)With spirit up to 25% (b)With spirit more than 25% but not exceeding 30% (iv) Beer (To be charged from L-4/5 and L-12-C licensees)	123 7.50 Per bottle of 350 millilitres. 9 per bulk litre. 12 per bulk litre. 24 per bulk litre.

Manufacturing/export duty

9.9 A manufacture and export duty shall be levied on all duty paid or under bond issues of country spirit, rectified spirit and Indian Made Foreign Spirit to any other State or Union Territory in India from any distillery or from any wholesale vend in Haryana, as under:-

Sr. No.	Kind of spirit	Rate of duty
1	Country spirit	Rs. 1.00 Per proof litre.
2	Potable/Rectified spirit.	Rs. 1.00 per bulk litre
3	Indian Made Foreign Sprit.	Rs. 1.00 per bulk litre
4	Denatured Spirit	Rs. 1.00 per bulk litre
5	Absolute Alcohol	Rs. 1.25 per bulk litre
6	Indian Made Rum sold to troops through Canteen Stores, Department.	Rs. 2.00 per Proof litre
7	Draught Beer	Rs. 0.75 per bulk litre

Duty on Sweets and Wines

9.10 The following shall be the rate of duty on Indian made sweets and wines manufactured under license in Haryana or imported into Haryana.

a) Sweets and wines containing proof spirit not exceeding 20 percent	Rs. 3/- per Bulk liter
b) Sweets and wines containing proof spirit not exceeding 20 percent	Rs. 4/- per 30 percent

Duty on Indian Made Cider

9.11 The following shall be the rate of duty on Indian made cider imported into Haryana:

Indian made cider-(Rs.2.50 per bottle)

Duty on Beer

9.12 The rate of duty on beer and draught beer of any strength whether manufactured in any brewery licensed in Haryana or imported into Haryana shall be as under :-

- (i) Beer Rs. 8.00 per bulk litre.
- (ii) Draught beer Rs16.00 per bulk litre.

Provided that duty on beer manufactured on Haryana shall be calculated on the quantity manufactured less an allowance of seven percent for wastages.

Bhang

9.13 The rate of excise duty on bhang imported into, exported outside and/or transported within the territories of Haryana shall be Rs. 20.00 per ten kilogram or less provided that :-

(a) When the same consignment of bhang is:-

- (i) Imported and exported; or
- (ii) Imported and transported; or
- (iii) Transported and exported; or

(iv) Transported and retransported in the course of the same or a continuing business transaction a duty shall be levied once only in respect of whole or such transaction:-

(b) No transport duty shall be levied on bhang transported from one place to another situated within the limits of the same district except on transport of bhang by retail sale licensees purchased from wholesale licensees of the same district.

(c) Duty shall be calculated on gross weight of each parcel or package of bhang imported, exported or transported.

Exemption from Excise duty

9.14 The under mentioned intoxicants are exempted from the operation of the Punjab Excise Act to the extent specified below :-

(i) Medicated wines containing less than 20 per cent of proof spirit.

(ii) Medicinal and other preparation containing rectified spirit imported from overseas countries provided that the customs duty at the rate prescribed has been paid.

(iii) Medicinal and other preparation containing rectified spirit manufactured in India (Except spirituous preparations) declared to be liquor under sections 3(14) of the Punjab Excise Act, 1914. Provided that issues from the premises of approved manufacturers shall be made under the authority of a pass granted by the officer Incharge.

(iv) Medicinal and other preparation containing rectified spirit manufactured in India for use in India and required for use in hospitals and dispensaries managed by Government by local bodies or in such other charitable hospitals and dispensaries as have been approved for the purpose by the Haryana Government. Provided that these are directly issued from bonded warehouse to the aforesaid institutions and that these are for bona fide patients of the hospitals or dispensaries concerned.

(v) Cider manufactured in Haryana.

(vi) Neera in its fresh form subject to the restriction that it will be drawn in pots or receptacles freshly coacked with lime so as to prevent it from fermentation, it shall be drawn between sunset and sunrise. If however, the day temperature falls below 26.6°C (80°F) it may be drawn by day also and that it shall be drawn only for the manufacture of gur, for drinking unfermented and for sale in the fresh from.

(vii) All intoxicants exported from Haryana distilleries bonded factories or warehouses when exported under export in bond passes to any State or Union Territory in India or to any country outside India.

(viii) All liquor exported from one State or Union Territory to another State or Union Territory within India or to an outside country or transported through Haryana shall be exempted from the provisions of the Act, relating to duty leviable thereon in Haryana when covered by a pass issued by a competent authority of exporting State or Union territory.

(ix) Rectified spirit imported or transported in bond from spirit imported or transported in bond licensed distillery under import in bond or transport in bond passes.

(x) Rectified spirit issued from the Haryana Distilleries to or imported from outside Haryana Government Local funds, Mission veterinary or railway hospital and dispensaries in the Haryana State or a certificate signed by the Director of Health Services, Haryana Director Veterinary Services etc.

(xi) Rectified spirit issued under the authority of the Financial Commissioner, Haryana Distilleries or from outside Haryana by Collectors for teaching or research purpose to educational or research institutions in the Haryana State.

(xii) All liquor removed from one part of any State or Union Territory in India whether by road or rail to another part of the State or Union Territory through the intervening Haryana Territory by agents or contractors of the State or behalf while passing through the Haryana Territory shall be exempted from all provides provisions of the Act subject to the following conditions:-

(a) In the case of transport by road the consignment shall be covered by a pass signed by an authorised officer of that State or Union Territory.

(b) In the case of transit by rail the consignment shall be covered by a pass signed by an authorised officer of that state or Union Territory and a copy thereof shall be sent to the Excise and Taxation Officer of the district in which railway land lies.

(Punjab Fiscal Order, 1932 (Excise Manual Vol. II)

D. Sweets (manufacture) Rules 1955 Definition Rules 2&3 of the Punjab Sweets Act, 1955

9.15 Sweets means any liquor which is made from fruit and sugar, or from fruit or sugar mixed with any other material excluding malt or grain and which has undergone a process of fermentation(not distillation) in the manufacture thereof, and includes wines, made wines, mead and metheglin, use of other alcohol is permitted for the sole purpose of fortification.

Any person desirous of obtaining a license for the manufacture of sweets shall apply to the Collector who shall submit the application with his report to Commissioner.

Rule 4

9.16 No license shall be granted unless the applicant has deposited a sum of Rs. 25,000 in cash as license fee.

Rule 5

9.17 The license granted in form S-1 shall be valid for one year from the date of issue unless it is cancelled (Rule 2&3,4 and 5, 6, 7 of the Punjab Sweet Rules 1955).

Submission of return in form S-4 and due date of duty.

9.18 Subject to the provisions hereinafter contained with respect to deferred payment of duty, the licensee shall furnish to the collector each day a true return in form S-4 stating whether any sweets have been removed from the licensed premises during the day and the duty on sweets shall become due at the time when the sweets are issued from the licensed premises and the licensee shall at the time of making the return aforesaid pay to the Collector the amount appearing in the return to be due in respect of duty on sweet so issued during the period to which the return relates

(Rules 8 and 9 of The Punjab Sweets (Manufacture) Rules 1955)

Deferred payment of duty

9.19 The Financial Commissioner may, if he thinks fit, defer payment of duty on any sweets to a date not later than the 15th day of the month succeeding the month in which the sweets are removed from the license premises provided the licensee executes a bond in form D-19 mutatis mutandis, when the licensee proves to the satisfaction of the Collector that any sweets, after having been remove from the licensed premises, have been returned to him as unfit for consumption, then any duty paid or charged in respect of those sweets shall be remitted provided always that:-

(a) notice that the sweets have been returned as aforesaid must be given to the Collector or any other officer authorized by the Collector on their being received by the license and by proper facilities must be provided for the examination of the sweets by the said officer, and unless the requirements aforesaid are complied with or unless the collector in any special case thinks fit to dispense with such compliance, duty shall not be remitted.

(Rule 21 and 22 of The Punjab Sweets (Manufacture) Rules 1955)

E. The Punjab Liquor Permit and Pass Rules, 1932

9.20 (a) ‘Permit’ means a no objection statement issued by the Collector of the district of destination concerned or an Officer authorized in this behalf in the import and transport of liquor but no empowered to authorize its removal from the place of issue. This term is also used for permit authorizing possession of liquor exceeding the limit of retail sales.

(b) ‘Pass’ means a document which actually authorizes the removal of liquor.

(Rule 1 of the Punjab Liquor Permit and Pass Rule 1932)

Procedure for importing, exporting, transporting of liquors/spirits(Rule2)

9.21 A person importing, exporting, transporting foreign liquor, country spirit rectified spirit or denatured spirit must obtain :-

(a) permit in form L-32 in the case of import and transport or corresponding permit in case of export from the officers authorized to grant such permits in the district, State or Union Territory of destination,

provided that the import or transport of the following quantities of Indian Made Foreign Spirit, Indian Made rum and beer, for use by personal of the Defence Services or Border Security Forces, stationed in Haryana the requisition issued through Canteen, Stores, Department (India) by the Military/Border Security Forces authorities of any distillery and/or brewery located in Haryana or in any other State, shall be deemed to be a permit for the purpose of the Act, for a period of six month from the date of issue of this notification:-

(i) Ten thousand quart bottles of India Made Foreign liquor.

(ii) One lakh and fifty thousand quart bottles of Indian Made Rum.

(iii) Seventy five thousand bottles of Indian Made Beer each of 650ml.

Provided further that l-2 licensee shall pay a permit fee at the rate of Rs. 2 per case on Indian Made Foreign Spirit and beer before obtaining the permit for purchase of liquor from L-1 licensee.

(b) a pass in form L-34 export and transport and corresponding pass for import form. The office authorized to grant such passes the place of issue:-

Providing that a pass for the removal of spirit and beer from a licensed distillery or brewery on a warehouse issued in accordance with the rules made by the Financial Commissioner, shall be deemed to be a pass for the purpose of this rule. Provided that a permit shall not be required for the transport of foreign liquor, country spirit, rectified spirit denatured spirit within a district except when denatured spirit is transported from the bonded of a licensed distillery:

Provided further that the number of diplomatic staff of a foregn embassy located in the State of Haryana shall not be required to obtain a permit for import and transport of imported liquor.

Export Pass

9.22 Every person who imports medicinal or other preparations containing rectified spirits from any State or Union Territory, in India must obtain an export pass from the officer authorized to grant such passes at the place of issue.

The procedure shall also apply for the export of medicinal and other preparations from the Haryana State to any other State or Union Territory;

Provided that transport or export of such medicinal preparation without payment of duty from the premises of approved manufactures for use in Government Local funds and charitable hospitals and dispensaries shall not exceed the requirements of each hospital or dispensary for 12 month and shall be made only on indents signed by the District Medical Officer of Health of he District/Chief Medical Officer, Badshah Khan Hospital, Faridabad, and by Dy. Superintendent of Civil Veterinary Department (for veterinary hospitals and dispensaries)

(Rule 2 of the Punjab Liquor Permit & Pass Rules 1932)

Permit in form L-32

9.23 when rectified spirit is imported or transported in bond from the licensed distilleries to the licensed premises of approved manufactures the approved manufacturers shall obtain a permit in the form L-32 from the Collector of the district of destination, provided he has executed a bond in L-37

(Rule 12 of Punjab permit & Pass Rules 1932)

Wastage allowance

9.24 (ii) The following shall be the scale of wastage allowance percent for spirit conveyed in

(a) Wooden (b) Metallic vessels

	A	B
For a journey taking not more than 2 days	2	½
For a journey taking more than 2 days but not more than 9 days	3	1
For a journey taking more than 9 days but not more than 18 days	4	1½
For a journey taking more than 18 days	5	2

No scale of wastage is prescribed for bottled spirit, breakage, shall be satisfactorily explained in the remarks column in form L-38 provided that if in any case the temperature of the spirit on arrival at its destination is found to be lower than the temperature when dispatched a further allowance shall be made (if required to cover any wastage that has occurred of (0-09) percent for every degree centigrade (0.05 percent for every degree Fahrenheit) of difference between the two temperatures.

(Rule 13, 14, 15 and 16 of the Liquor permit & Pass Rules 1932)

9.25 (1) A permit in form L-50 for purchase, transport and possession of liquor exceeding six bottles of the capacity of 750 milliliters may, on application, be granted to a person for bona fide consumption by him, the members of his family or his guests by the Excise and Taxation Commissioner of the district concerned up to the limit of twenty four bottles each of the capacity of 750 milliliters or equivalent quantity and 24 bottles of beer each of the capacity of 650 milliliters or equivalent quantity on the payment of permit fee Rs. 500 for one year and Rs. 5000 for ten years.

(2) A register in form L-51 showing the particulars of such permit holders, shall be maintained in all District and Excise and Taxation Offices.

(3) The permit shall be renewable by the Excise and Taxation Officer-in-charge of the district for one year at a time on payment of fees prescribed above.

(Rule 22.A of Punjab Liquor Permit and Pass Rules, 1932)

CHAPTER – X

SCOPE AND EXTENT OF STATUTORY AUDIT

Scope of Audit

10.1 The function of audit is to see that duty payable on excisable articles under the provisions of various Acts, Rules and notification and the vend fees have been correctly assessed, collected and brought to account, that a proper account of confiscated articles and disposal is kept and that penalties and fines have been levied wherever required under the Act and Rules there under.

The main processes of audit will involve:-

- i. Examination of the system of auction and other procedures for allotment of retail vends and fulfilment of conditions attached the licenses.
- ii. Review of inspection reports of administrative officer and internal check reports of internal check/audit parties of the department.
- iii. Checking of rates of excise duties/levies.
- iv. Seeing whether a continuous record of permits and passes issued is maintained.
- v. Scrutiny of records maintained in the distilleries, breweries, bonded warehouses, bonded and unbounded pharmacies etc.
- vi. Scrutiny of figures of sales with reference to departmental records in cases where license fees are assessed with reference to spirits issued.
- vii. Reconciliation of collections and deposits with the figures appearing in the Treasury Accounts.
- viii. Review of demand, collection and balance registers to see that demands are raised promptly, collected in time, no arrears are allowed to accumulate and that there is adequacy of procedure to recover excise revenue.
- ix. In case of refunds of excise and revenue checking whether the refund is admissible and is covered by sanction.

- x. Scrutiny of all registers maintained and to see that all departmental instructions issued for their maintenance are followed.

10.2 The following areas need special attention:-

Transit and Storage Losses

Under the Rules in cases where in losses exceed the permissible percentage the licensee/permit holders have to pay full duty at the rate specified in the rules, on the losses in excess of the prescribed percentages.

Audit Check

10.3 District Office

- (a) M.1; register of licenses granted on fixed and assessed fee.

It shall be seen that:-

1. The licenses have been granted by the competent authority after observing the prescribed procedure.
2. All the licenses granted on fixed or assessed fee are noted in the Register giving full particulars under proper attestation.
3. The fees are realized on due dates and in the case of late payments the penal action is taken against the defaulters.
4. Realizations are traceable in the daily collection register/Treasury records.
5. It should be seen that while reviewing the licenses on assessed fee the provisions contained in rule 30 of the Haryana Liquor Rules are observed and the fees are recovered by the dates prescribed under Rule 34 *ibid*.

- (b) M-2 Register of licenses granted on fees determined by auction.

It shall be seen that:-

1. All the vends required to be auctioned have been put to auction.
2. In cases where highest bid was not acceptable, whether the reasons thereof have been recorded by the presiding officer.

3. All the licenses granted by auction have been noted in the register under proper attestation giving full particulars.
4. The security deposit was paid by the licensee within the prescribed due date.
5. The installments of license fee have been paid by the due dates.

In case of default whether penal action was taken and the interest due on the late deposited recovered.

6. The entries for the payment of license fee are traceable in the daily collection register and in the treasury records.
7. In case of re-auction of vends whether the deficiency has been recovered from the original licensee along with the expenses for as resale.

(c) M-3A Register of permits granted for the transport from distillery in Haryana and import denatured spirit.

It should be seen that:-

1. All the permits in respect of spirit are noted in the register.
2. Permit fee has been correctly calculated and paid into the treasury.
3. The credits are traceable in the daily collection register.
4. Entries in the register should be compared with the statements received from distilleries/other States to ensure that there is no unauthorized issue.

(d) M-7A Register of liquor imported/transported into district.

It should be seen that:-

1. All the permits issued for country spirit have been noted in the register against the licensee concerned.
2. The authorized annual quota of the country liquor fixed for each vend put to auction is noted at the top of the page allotted to a particular licensee.
3. Progressive total of the quantity authorized to be issued is worked out every time a new entry is made in the register.

Distillery

10.4 In the audit of a distillery it should be seen that:-

- I. The applicant desiring to obtain a license in Form D-1 has deposited the prescribed security/fee.
- II. The licensee has executed a bond in form D-3 pledging the premises stock of spirit stills, all apparatus and utensils employed in the manufacture and storage of spirit for the due discharge of all payments which may become due to Govt. or has deposited N.S.C's of such value as the Financial Commissioner has directed;
- III. The licensee has not ceased to work the distillery without giving notice as required in his license failing which collector has taken possession of the distillery for a period equivalent to the period of notice.
- IV. The licensee has not closed the distillery for more than three days in any month exclusive of Sundays and holidays without the previous written consent of the collector.
- V. The fee of Rs. 15/- per day or part thereof has been paid by the licensee if the distillery remained open for work on a Sunday or holiday gazetted under the Negotiable Instruments Act or a Saturday when it is a holiday or any other holiday in Government offices.
- VI. The licensee has if there is a demand upon his distillery for such a quantity, produced during each calendar year at least 90 percent of the out turn of plain and spiced country spirit which his stills is capable of producing according to the estimates of their charge capacity entered in his license.

The calculation of the out turn shall be as under:-

(i) Fermentation efficiency	8.4% of fermentable sugar contents present in molasses
(ii) Distillation efficiency	97% of alcohol present in wash.
(iii) Minimum recovery of alcohol.	52.5 liters of alcohol per quintal of fermentable sugar present in molasses consumed for production of alcohol.

Failure to maintain the prescribed minimum efficiency and recovery of alcohol, shall render the distillery to cancellation of license and forfeiture of security in addition to any other penalty imposed under the Act.

- VII.** The register in form D-13 should be seen to determine showing whether the licensee has maintained a stock of plain and spiced country spirit in bottled form and that such stock at the beginning of each month is equal to half of the average issues during that month in the three proceeding years, Failures to comply with this condition shall tantamount to levy of penalty which the license is required to pay
- VIII.** The return in form M.C.7 showing the receipt and consumption of molasses by the distillery has been received and the licensee had always in stock gur/molasses/mahua sufficient for the preparation of wash for the full working of all his stills for 10 full working days in the months of October to March and for 7½ full working days in the other month.
- IX.** The licensee had kept the registers in form D.8, D.10, D. 24, D.25 and these registers had been inspected by the Excise Staff.
- X.** The licensee had not removed more than two bulks of 757 milliliters of finished or unfinished spirit from the spirit stores to laboratory attached with the distillery for experimental work only.
- XI.** No wash has been used except such as has been prepared within the distillery or any wash has been removed from the distillery except 2.250 litres for vat for use in laboratories.
- XII.** The account of spirit in stock in matured spirit warehouse has been kept in the register in form D. 21 and it has been occasionally checked by the Excise Officer. When the deficiency of spirit in the matured spirit warehouse is in excess of the scale prescribed by the Financial Commissioner a note has been kept in the register and matter reported to the collector for recovery of duty on the excess deficiency and whether the recovery of daily duty has been effected.
- XIII.** The wastage in the distillery is not more than the scale prescribed by the Financial Commissioner. In the case of excessive wastage duty has been recovered on the excessive wastage.
- XIV.** The wastage has been correctly calculated for each month in forms D.26, D.27, D.28 and D.29 and the charge on account of duty has been made at his end of each financial year.

- XV.** The duty on excess wastages of plain country spirit above the strength of 43° over proof has been charged at the rate prescribed for plain country spirit and not at the rate prescribed for rectified spirit.
- XVI.** The extraordinary wastage of spirit due to preventable causes which could be foreseen or guarded against by the licensee and that he spirit was required to meet a demand on the distillery the meeting of which was delayed by reasons of this loss the licensee has been made responsible for paying all or such of the duty that would have been recovered on the wasted spirit.
- XVII.** No spirit has been issued till its quantity and strength have been verified by the Inspector.
- XVIII.** No spirit has been issued except under a distillery pass in form D-20 or D-20A. The quantity of country liquor/I.M.F.S issued is in accordance with permit in Form L-32 received from the District Excise and Taxation Officer.
- XIX.** The certificate (L-38) issued by the Inspector Incharge of he bonded warehouse has been received by the Excise Inspector Incharge of distillery.
- XX.** The fusel oil with strength of more than 15% proof has been removed only after the payment of duty at the appropriate rate.
- XXI.** The still head duty shown in L-32 has been correctly worked out at the rates prescribed in the Punjab Excise Fiscal Orders, 1932.
- XXII.** In case of export fee paid in advance into the treasury by the licensed vendor (Distillery) against the removal of spirit, it should be seen that such an advance payment is not less than Rs. 2000 and each time an advance is replenished it must be by a sum that will bring it up to Rs. 5000 and that Account of this advance and subsequent adjustments/ replenishments has been kept in register in form 15-D.
- XXIII.** The daily collection register showing the amount deposited by the licensed vendor has been maintained, the entries in the register have been reconciled with the treasury monthly and a certificate to this effect has been obtained from the treasury officer.
- XXIV.** All applications submitted for the issue of excisable commodities, bear a court fee stamp of Rs 1/-.

Brewery

10.5 In the audit of brewery it should be seen that:-

- I.** The licensee of the brewery has deposited the prescribed security in addition has executed a bond in form B-3 pledging the premises, stock of beer etc. for the due discharge of all payments which might become due to Government.
- II.** The licensee has deposited the prescribed license fee.
- III.** The Inspector Incharge has maintained a general register in form B-12 in respect of samples issued free of duty for chemical analysis.
- IV.** The Inspector Incharge has prepared an abstract of brewing operations in form B-11.
- V.** The Inspector has also maintained a register in form B-15 showing issues of beer made to other States.
- VI.** The duty on beer at the prescribed rate has been charged on the total quantity actually brewed as entered in the brewing book by the licensee or as ascertained by the Inspector and entered in his survey book by in form B-6 whichever is higher less an allowance of seven percent for wastages. The account of duty to be realized on collection of daily brew has been maintained by the Inspector in the register in form B-15A.
- VII.** In the case of recovery of duty at the end of each quarter the sanction of he Financial Commissioner has been obtained and that the licensee has executed a bond in form B-16.
- VIII.** While assessing duty on beer manufactured in any quarter, beer issued in bond during the quarter has been deducted from the total quantity brewed and 7 percent wastage allowance has been calculated on the balance thus arrived at.

EXCISE BONDED WAREHOUSE

10.6 It should be seen that:-

- I.** The licensee of the bonded warehouse has deposited the prescribed security and license fee before the grant of license.
- II.** The license has been renewed on the payment of renewal fee.

- III.** The licensee has deposited the prescribed overtime fee for the work carried on Sundays and Gazetted Holidays and that the officer-in-charge has maintained the overtime fee account in register in form D-23.
- IV.** No liquor has been received in the bonded warehouse without a pass from the officer-in-charge of the distillery or bonded warehouse from which it has been imported or transported.
- V.** The wastage allowance not exceeding one percent has been allowed for the actual loss in transit by leakage or prepage of vessels or bottles containing liquor. If the wastage exceeds the prescribed limit the duty on the excessive wastage has been recovered.
- VI.** In case the loss of liquor as a result of fire, accident, theft or any other cause is due to the negligence of the licensee, the duty has been recovered on such loss.
- VII.** An account of all receipts into and issues of liquor from the warehouse has been maintained in register in Form B.W.H.8, D-13, D-13B, D-14, D-14A, B-15, and B-15A and that all issues have been made only on application bearing necessary court fee stamp.
- VIII.** The liquor has been removed under bond or on payment of duty within the state or outside the state.
- IX.** No liquor has been removed from the warehouse until duty has been paid into Government Treasury and it has been checked and proved by the Officer charge and a transport or export pass in Form D-20 or L-34 as the case may be has been granted.
- X.** The liquor has been imported/ transported under bond in form L-37 which has been discharged after check of the liquor by the Officer-in -charge.
- XI.** The liquor has been removed after adjustment of the duty against advance payment made into the Government Treasury. Its account has been maintained in register form D-15 and that such advance had never been less than Rs. 2,000.
- XII.** The Officer-in-charge made the stock taking of liquor both bottled and bulk on the last working day of each month and also stock-taking has been checked by the Excise and Taxation Officer of the district concerned.

- XIII.** In case of infringement of the conditions of his license, the security has been forfeited.
- XIV.** The Officer-in-charge has maintained a diary in form D-9 and in other registers in form B.W.H.4 and B.W.H.6 in accordance with Rule 30(1, 2 and 3) of the Bonded Warehouse Rules.
- XV.** No liquor has been issued except under a pass, granted by the Officer-in-charge Wineries etc.

10.7 It should be seen that:-

- I.** The license for the manufacture of wines or other alcoholic sweets has been granted in form S.1 on payment of prescribed license fee.
- II. The licence has not**
 - (a) Prepared and issued sweets/ wines containing proof spirit exceeding 30 percent
 - (b) Mixed any Indian wine with any foreign wine except in the course of manufacture;
 - (c) In the course of manufacture mix with any wine any foreign wine in any quantity exceeding the proportion of 15 litres of foreign wine to 100 litres of Indian wine or in any quantity, which in case of Indian wine already mixed with foreign wine inconformity with the Punjab Sweets manufacture Regulations, 1955 would result in the wines containing foreign wine in excess of that proportional and
 - (d) Mixed any spirit with any Indian wine except for the sole purpose of for trying the wine.
- III.** In the case of deferred payment of duty provision of rule 17 (2) of the sweets (manufacture) Rules, 1955 have been kept in view. The duty on issues has been calculated in accordance with the strength declared by the licensee and verified by the Excise Officer. In case of disagreement the duty has been calculated on the strength declared by the Chemical Examiner.

Pharmacy:

10.8 In the audit of pharmacy it may be seen that:-

- I.** Every person who manufactures any dutiable or who stores such goods in bond has paid the duty or duties leviable on such goods under the Act.

- II.** The payment of such duty or duties is secured by bond or otherwise.
- III.** No dutiable goods have been removed from any place where they are manufactured or any premises apartment thereto, whether for consumption. Export or manufacture of any other commodity in or outside such place until the excise duty has been paid.
- IV.** If instead of payment of duty on each consignment an account current of duties payable has been kept it should be seen that such account has been settled at intervals not exceeding three months;
- V.** If any dutiable goods are in contravention deposited in or removed from any place specified therein the manufacturer thereof has paid the duty liable on such goods upon written demand and also realized penalty determined and imported by Excise Commissioner or the goods have been confiscated;
- VI.** The duty has been levied at the correct rate prevailing at the time of issues.
- VII.** If the preparations are exported outside India the collecting Government has granted rebate of duty on dutiable goods subject to conditions in Chapter VII of Medicinal and Toilet preparations Rules, 1956. Failure to furnish proof of such export to the satisfaction of the Excise Commissioner entails charging a duty and imposing of penalty.
- VIII.** In the case of manufacture in bond alcohol on which duty has not been paid has been used under excise supervision and in the case manufacture outside bond only alcohol on which duty has already been paid has been used.
- IX.** Rectified spirit received under bond has been verified in quantity and in strength and its receipt entered in register in form RG 2;
- X.** Rectified spirit has been obtained on proper Indent in form I.D.I duly countersigned by Office-in-charge.
- XI.** The rectified spirit has been issued from the spirit store to the laboratory on proper requisition in form R.Q. 1 and in such quantities as are in conformity with the formulae laid down in the relevant pharmacopoeia or the formula of the patent and proprietary medicines;

- XII.** Rectified spirit has not been issued for the purpose other than for the manufacture of medicinal and toilet preparations.
- XIII.** Where there is wastage of spirit during the manufacture of medicinal and toilet preparations in excess of the prescribed scale, the duty has been recovered on the excessive wastage;
- XIV.** Register in Form R.G. 3 and R.G. 4 showing the receipt and issue of spirit to laboratory and medicinal preparations manufactured have been kept properly.
- XV.** The license has been granted or renewed on payment of prescribed fee;
- XVI.** Before granting license the prescribed security has been deposited by the licensee;
- XVII.** The dutiable goods manufactured under bond or stored in a bonded warehouse in any State have been removed to any other state only after payment of duty in the first mentioned state or in bond.
- XVIII.** The issues of alcohol preparations have been made through form AR 2 from a bonded manufactory on payment of duty and in case the licensee is an account holder, the duty recoverable on such goods has been debited in his account current before their removals;
The medicinal preparations have been chemically examined and if the percentage content of pure alcohol in a preparation is found by the Chemical Examiner to exceed the highest allowable limit by more than 1.75 percent by volume units penalty at the rate ten times the difference in duty has been imposed subject to maximum of Rs. 2000
- XIX.** When an excess of more than 1.2 percent by volume units over the pure alcohol content declared by the licensee of any batch of preparation is found by the chemical Examiner, the true percentage of pure alcohol content, as ascertained by the Chemical Examiner, shall be entered in the batch account and the duty been levied on the basis of the results of Chemical Examination, at the rates provided in the Act.
- XX.** In case the owner of a warehouse commits any of the offences enumerated in rule 79 penal action is taken in accordance with the provisions contained in rule 123 to 125 of the Medicinal and toilet preparations Rules.

XXI. The physical verification of stock of dutiable goods remaining in a manufactory or warehouse or store room has been done and where there was variation between stock actually counted and that which should have been on record, the duty on the deficient stock has been levied under rule 132;

XXII. The stock accounts as required under rule 135 have been maintained.

10.9 Extent of Audit

(A) District Excise offices (including audit of record maintained in Tehsils/Circles/Blocks/Ranges.

1. Challans for payment of duty 8-1/3 % of the challans, i.e. 1 month's accounts may be checked by the auditor and 50% of challans checked shall be reviewed by the Assistant Audit Officer/ Section Officer.

Inspecting officer may conduct a general review.

2. Auction of shops of foreign liquor, country liquor etc.

(a) **Foreign liquor shops:** - Cases relating to foreign liquor shops which may not be many may be seen by the Inspecting Officer personally if the amount of license fee exceeds Rs. 30, 0000 or such other limit the Accountant General may fix later on the basis of results of the first few audits with the approval of the Comptroller and Auditor General. The rest should be seen by the Asst. Audit Officer / Section Officer and reviewed by the Inspecting Officer.

(b) **Country liquor shops:** - All cases where license fees exceeds Rs. 1, 00,000 or such other limit. The Accountant General may fix with the approval of Comptroller and Auditor General may be examined by the Inspecting Officer personally. As regards their cases 10% cases where license fee ranged between Rs. 30,000 and 1, 00,000 may be seen by the Assistant Audit Officer / Section Officer and reviewed by the Officer and 5% of the rest of the cases may be seen by the Auditor and generally reviewed by the Assistant Audit Officer / Section Officer.

(c) **Shops of Ganga and other intoxicating drugs:** - All cases where the amount of license fees exceeds Rs. 50,000 or such other limit the Accountant General may fix with the approval of the Comptroller and Audit General may be reviewed by the Inspecting Officer personally. Cases where the amounts of license fee range between Rs. 30,000 and 50,000 may be examined by the Assistant Audit Officer/ Section Officer to the extent of 10% subject to

general review by the Inspecting Officer. 5% of the cases with license fees of less than Rs. 30,000 may be seen by the Auditor and reviewed generally by the Assistant Audit Officer/Section Officer and Inspecting Officer.

(iii) **Licenses on fixed rates permits and passes** -10% of the cases may be seen by the auditor and generally reviewed by the AAO/S.O and I.O.

(iv) Miscellaneous receipts (fines) Confiscation etc.

The amount of revenue involved in each case may not be much 5% of the cases may be seen by the Auditor and generally reviewed by the Assistant Officer /Section and Inspecting Officer.

(v) Refunds and remissions of revenue.

(a) Cases of refunds and remissions of revenue exceeding Rs. 1000 or such other limit. Accountant General may prescribe with the approval of the Comptroller and Auditor General.

100% all cases are to be examined by the Assistant Audit Officer/ Section Officer and reviewed by the Inspecting Officer.

(b) Cases of refunds and remissions of revenue of Rs. 1000 and less 10% of cases to be seen by the Auditor and reviewed by the Assistant Audit Officer / Section Officer.

(vi) Check of Register: - The Register required to be maintained under the rules and orders of the State Government should be examined generally by the Auditor to verify whether they are being maintained properly. A small percentage of entries in the registers (say 5%) may be test checked to verify their correctness. A general review of the work done by the Auditor may be conducted by the Assistant Audit Officer/ Section Officer and Inspecting Officer.

(vii) Payment to Distilleries for issue from Warehouse to Retailers. In certain States like Uttar Pradesh, the cost of country-liquor supplied by distilleries under bond is recovered from retailers along with duty at the time of liquor from bonded warehouses and the cost of liquor so recovered from retailers is paid to distilleries. In such cases 5% of the entries may be checked (regarding quantity and rate) in detail by the auditor and generally reviewed by the Assistant Audit Officer/Section Officer and Inspecting Officer.

(B) Audit of Warehouses:

(i) Check of Challans for duty and license- $8\frac{1}{3}$ % of the challans, i.e. 1 month's account may be checked the work of auditor should be reviewed to the

extent of 50% by the Assistant: Audit Officer/ Section Officer. Inspecting Officer may conduct a general review.

(ii) **Check of Register:** - All the registers maintained in the Warehouse in regard to the receipt of consignment bottling, storage etc. should be generally examined to see that these are maintained properly. A small percentage (5%) of entries should also be test checked to verify their accuracy.

(C) Audit of Distilleries:

The terms and condition of license granted should be seen generally to find out whether they were adhered to by the contractor. Registers should also be generally seen to see that the production of liquor is in reasonable proportion to the material used as laid down in the departmental manual. One month's account may be checked to see this. Issues from distilleries to warehouse or for export shall be test checked for one month with acknowledgment and duty paid for such issues.

(D) Audit of Bonded Pharmacies:-

(g) General scrutiny of the registers maintained to see that manufacture of medicines is in reasonable proportion to the material consumed as laid down in departmental manuals and that the registers are complete. One month's account may be checked to verify this. Issue from Bonded Pharmacies for one month may be checked with the duty paid for such issues.

(E) Audit of Excise Commissioner's Office:

All supply contracts and auction cases should be examined cent percent.

Periodicity Duration of Audit and Standard Rate of Work

Name of Unit	Periodicity	Party days proposed
Distilleries	Annual	3 – 6 days
District Excise Offices	Do	4 – 6 days
Excise Commissioner Office	Do	6 days
Bonded Warehouse	Do	3 days
Pharmacies	Biennial	2 days

Gazetted Supervision

50% but for the Audit of the office of Excise Commissioner 100%

10.10 Allocation of Audit Work among members of Staff.

I. Audit Officer.-

1. Review of items marked with asterisk and discussion of outstanding Local Audit Reports.
2. Review of Challans audited by Assistant: Audit Officer/ Section Officer.
3. Review of auction files (with a view to taking objections and increasing percentage of review, if needed, for generation of audit report material.)
4. Audit of licenses for foreign liquor shops involving revenue of Rs. 30,000 or more per year country liquor for Rs. One lakh or more per year and Ganga and drug license for Rs. 50,000 or more per year. Review of 10% of licenses for foreign liquor and country liquor which are audited Assistant: Audit Officer/ Section Officer.
5. Files on auction cases, supply contracts and inter- State movements, in Commissioner's office.
6. Audit of warehouse records, records in distilleries and pharmacies (subject to allotment of suitable work by Audit Officer to Assistant Audit Officer/Auditor.)

II. Assistant: Audit Officer/ Section Officer.

1. Check of 20% of Challans for payment of duty audited by auditor with a view to taking audit objections.
2. Audit of auction files.
3. Audit of all the licenses issued for a foreign liquor shops not audited by Audit Officer.
4. Audit of all licenses for country liquor shops involving revenue of Rs.30, 000 or more and up to Rs. One lakh and Ganga, drugs license between Rs. 30,000 and 50,000 (Group Officer's orders may be taken before quantum of audit is allowed to be reduced to 10 percent of country liquor licenses i.e. provided adequate material for audit report is getting generated). Review of 10% of licenses below Rs.30,000 for country liquor and Ganga /Drug audited by Auditor.

5. Review of 20 percent of other licenses permits and passes and miscellaneous receipts audited by Auditor.

6. All cases of refunds and remission of revenue in excess of Rs. 1,000 and 10% of other cases, selected at random.

7. Other –important registers and connected files.

III. Auditor

1. Audit of Challans for payment of duty.

10.11 Composition of Inspection Parties and Procedure for conducting of Local Inspection.

1. A Local Audit Party assigned to audit the accounts of office under the different Acts and Rules applicable to that office shall consist of two trained Assistant Audit Officers /Section Officers and Auditor. The percentage of supervision shall be as mentioned in “periodicity, duration of audit and standard rate of work.”

2. An audit party visiting an office, shall in the first instance call for auditable documents from the Head of the office and thereafter assign it among the Assistant Audit Officers/ Section Officers and Auditor. Important cases along with relevant records should be scrutinized by the Assistant Audit Officer/ Section Officers. A percentage of the cases checked by the Assistant Audit Officers/ Section Officers should also be reviewed by the Audit Officer. The auditor attached to the party should be assigned duties of less important of miscellaneous nature but the duties should include verification of payments made into the Treasury and payments drawn from it. The list of payments made into the Treasury as supplied by the Treasury Officer should also be thoroughly scrutinized so that cases of embezzlement or similar malpractices, if any are detected forthwith.

3. If , during the course of audit and irregularity reflecting on the working of the office or effecting the revenues of the Government comes to the notice of the party, a memo stating the facts along with the records on which such facts are based ,should be issued to the Head of the office requesting him to elicit his comments. On receipt of his reply, the case should be discussed with him, if necessary, before incorporation of comments on the case in the Audit and Inspection Reports. Such memos should form part of the rough sheets and transmitted to head quarters.

4. All the important points noticed in audit, should be incorporated in the Audit and Inspection Report. The local audit report should be in three parts. The part I should comprise an introductory paragraph, the outstanding

objections from previous reports in brief, and schedule of persistent irregularities. In part II important irregularities coming to the notice of the party during the course of audit which have the potential of being developed into draft paras as well as other glaring instances of irregularities and cases of mis-appropriation of Government revenue etc., should be included in Section 'A' and other points of lesser importance in Section -B . All minor points should be included in part III, i.e. Test Audit Note. Minor points of errors in classification improper accountal and improper maintenance of records should, as far as possible be settled at the spot after getting the compliance made by the Head of the office.

5. After completion of the audit, the inspection report should invariably be submitted by the Inspecting Officers, demi-officially to the Deputy Accountant General (Revenue) so as to reach headquarters not later than five days from the date of completion of audit. Any delay in its receipt at the headquarters beyond five days should be brought to the notice of the Deputy Accountant General (Revenue).

6. The Inspecting Officer shall be responsible for the review of old objections of previous reports and should investigate the reasons for not complying with the observations. He should, if necessary, discuss each case with the Head of the office and stressed upon him the importance of taking early action in settling the audit objections. He should, however, drop the objection where compliance has been made and shown to him. In case he is satisfied that the Head of office has not taken suitable measures to expedite compliance, this should be brought to the notice of the Head of the Department.

7. The Inspection Report after its receipt at the headquarters should be scrutinized by the Assistant Audit Officer/Section Officer Incharge and submit the same to the Deputy Accountant General (Revenue) for his approval and issue to the department concerned.

8. (a) The time taken for the receipt inspection report from the inspection party after completion of audit of an office, scrutiny, its dispatch by the Headquarters office at all levels should not exceed 30 days.

(b) The headquarters office shall maintain a register in proper form to ensure that no delay occurs at any stage and immediate remedial measures are taken to avoid it. Any delay beyond three weeks should be brought to the notice of the Deputy Accountant General (Revenue) for investigation and remedial action.

9. The records in connection with inspection reports shall be prescribed in accordance with the provision of the Outside Audit Department Manual and approval of the Deputy Accountant General (Revenue) shall be necessary before weeding out old record.

CHAPTER – XI

QUESTIONNAIRE

State Excise Duties

This questionnaire covers some of the important points to be looked into during local audit and may not be taken as exhaustive. The relevant enactments and rules governing the receipts and notifications and such other directions issued by the Government and competent authorities should invariably be gone through before taking up the audit.

Country liquor

1. Whether all the country liquor vends as approved by the government have been put to auction?
2. Whether 21 percent security has been recovered by the prescribed due date?
3. Whether the auction money has been properly entered in the M-2 register in respect of all the country liquor vends auctioned?
4. Whether installments of license fee (auction money) have been correctly recovered within the prescribed due dates?
5. Whether the remittance of instalments as noted in the M-2 register is supported by the original Treasury challans?
6. Whether penal interest has been correctly worked out and recovered in respect of late deposit of monthly installment(s)?
7. Whether the balance due, if any, from each licensee at the end of contract period has been worked out correctly and suitable action taken to recover the same as arrears of Land Revenue?
8. Whether in case of resale of country liquor vend, the dues from the original purchase and the resale purchaser are correctly worked out?
9. Whether the loss is resale along with expenses of resale has been recovered from the original purchaser? If not, whether action under the Land Revenue Act has been taken?
10. Whether the last Installment was adjusted against 100% security only after the adjustment of outstanding fee or penalty due from him in respect of his license?

11. If the security deposit has to be forfeited to Government due to violation of the terms and conditions of the license or any other reason, whether the requisite action has been taken?

Indian made foreign spirit

12. Whether the details of licenses and security for foreign liquor shops are noted in the M-1 Register?

13. Whether the licenses are renewed every year? If so, whether the fixed fee/assessed fee etc. has been correctly recovered in time?

Distilleries

14. Whether all the conditions prescribed under the Excise Act and Rules made there under have been satisfied before a license is granted for a distillery?

15. Whether the license granted is renewed in time on payment of the prescribed fee?

16. Whether the licensee has executed a bond pledging the premises, stock of spirit, stills, all apparatus and utensils employed in the manufacture and storage of spirit for the due discharge of all payments which may become due to Government?

17. (a) Whether the register for noting the dimensions and capacity of wash backs, receivers, spirits vats are maintained?

(b) Whether the dip tables for receiver vats etc. are approved by the competent authority and can be accepted as correct?

18. Whether the quantity and initial gravity of the wash as declared by the distiller are correct as per entries in D-11 register?

19. Register of wash prepared and spirits obtained (D-12)-

(a) Whether the whole quantity of wash prepared was sent for distillation?

(b) Whether the bulk litre of spirit has correctly been arrived at?

(Verify D-6 register and dip table)

(c) Whether the strength of the spirit noted in the register is correct?

(d) Whether the minimum yield based on the fall gravity of wash is obtained?

20. (a) Whether the whole quantity of spirit obtained in the receiver is passed into the warehouse?

(b) While conducting the monthly stock taking whether the storage wastage has been limited to the prescribed percentage?

(c) If the wastage in excess of 2 percent has been noticed whether duty has been realized thereon at the close of the year?

(d) Whether vat to its transfer has been excluded for limiting the storage wastage?

(e) Has any wastage been allowed during redistillation of spirit in addition to 2 percent wastage in the spirit store room?

21 Issue of spirit from vats:-

(a) In respect of transfer to other vats whether the whole quantity has reached the other vats?

(b) In respect of transfer for blending and reducing whether the whole quantity has been accounted for in the register of blending and reducing operations?

(c) In respect of issues of spirits duty free to Government institution whether the provisions of the rules have been observed?

(d) Whether the rectified spirits are issued in accordance with the provisions of the rules?

22 If substances like caramel are added during the process of compounding whether the degree of obscuration is got certified by the chemical Examiner and whether the degrees of obscuration take into account for calculation of duty?

23 Register of bottling operations:-

(a) Whether the whole of quantity of spirit has been bottled after allowing the prescribed quantity for wastage in bottling?

(b) Whether the bottling wastage exceeded the prescribed limit of 1.5 percent and if so, duty on excess wastage has been levied at the tariff rate?

24 Accounts of bottled spirit:-

(a) Whether proper accounts showing the receipts, issues and balances of bottled spirits are maintained?

(b) Whether there is wastage in excess of 1 percent in bottling store and if so, whether excess duty has been charged on the excess wastage?

(c) In case of issue of foreign liquor for consumption within the State whether duty has been correctly realized and whether the rate of duty levied on each kind of liquor is correct?

(d) If the issues of spirits are against advance payment whether the adjustment are made correctly?

25 a) whether the distiller has paid duty at the tariff rate on all samples required for trade purposes?

(b) Whether the distiller has maintained proper accounts of raw material used for manufacture of spirit?

(c) Whether the prescribed export fee has been charged on the export of rectified spirit, country spirit or I.M.F.S. to other Union Territories or States?

26 (a) whether the license is current and whether the licensee has furnished security?

(b) Whether the whole quantity has been taken to stock after physical verification of the consignment?

(c) Whether the import permit and the export permit (from the excise authorities of the exporting places) are available in respect of each consignment received in the warehouse?

(d) Whether the whole quantity as shown in the export permit has been received?

(e) Whether the verification reports are available for audit?

(f) Whether the wastage in transit and store has exceeded the allowable limit and if exceeded whether the duty has been realized on excess wastage?

(g) Whether the quantity of liquor stored in the warehouse at any one time has exceeded the maximum quantity allowed to be stored?

(h) Whether the issues and balances of foreign liquor from the warehouse have correctly been noted in the register B.W.H. 8?

(i) If wastage in stores has been noted in the register whether the circumstances under which the wastage occurred were brought to the notice of the Excise authority before remission of duty, if any, was granted?

(j) Whether quantity released as per each bond has correctly been shown as issue in B.W.H. 8 register?

(k) Whether liquor was allowed to be removed from the warehouse without collecting duty prior to the release?

(l) Whether rate of duty for each kind of liquor i.e. spirit, wines and beer is correctly applied?

27. Breweries

(a) Whether the whole quantity of beer (less 7 percent wastage) has been assessed to duty?

(b) Whether amount of duty demanded is correct?

(c) Whether the duty demanded from the Brewer is paid within the prescribed period?

(d) Whether an account of duty to be realized on collection of daily brews has been maintained by the Inspector in the register in form B-15A?

(e) Whether the 7 percent wastage allowance has been calculated on the quantity of beer left after deducting the quantity of beer issued in the bond? (Proviso to Para 5 of the Punjab Fiscal Order 1932)

(f) Whether L-1 licensee has been granted after charging the prescribed fee?

(g) Whether the licensee has executed a bond in form B-3 pledging premises, stock of beer etc?

(h) Whether the prescribed amount of security has been deposited before granting the licenses?

28. Pharmaceutical Laboratories:-

(a) Whether the whole quantity of rectified spirit as shown in the permit issued by the distillery has been received and accounted for after verification?

(b) Whether any deficiency in excess of limit prescribed for wastage in transit has been noticed at the time of verification and if so, whether duty on such excess wastages has been collected?

(c) Whether the verification reports have been sent to the distillery officer in time?

(d) If excess wastages have been noticed in the spirits store during stock taking whether duty has been realized on such excess wastages?

(e) During the process of manufacture of medicinal preparation whether excess wastage of alcohol was noticed and if so, whether the duty thereon has been realized?

(f) Whether a proper account is maintained for noting the receipts, issues and balances of medicinal preparation?

(g) Whether chemical examiner's certificate declaring the spirit strength has been received before the removal of medicinal preparations from the finished product store?

(h) Whether duty has correctly been levied taking into account of the strength of the medicinal preparations before the same are realized from finished product store?

(i) Whether the licensee has executed bonds before removing the medicinal preparations under bond?

(j) Whether the treasury challan receipts in support of payment of duty are available?

29. Refunds:-

(a) Where the refund of excise duty etc. has been allowed? Whether it was allowed in accordance with the provisions of the Rules?

(b) Whether the refund was allowed by the competent authority?

(c) Whether the note of refund was kept against the original entry of the receipt of the amount?

Brief Subject	Para of Manual
1	2
Account of Molasses	3.6
Administrative Control	2.1
Allowance for loss in transit	5.6, 6.10 & 10.2
Allowance for loss in storage and bottling operation	3.14
Application for Distillery license	3.8
Audit checks on Brewery	10.5
Audit checks on Bonded warehouse	10.6
Audit checks on Distillery	10.4
Audit checks on District offices	10.3
Audit checks on Pharmacies	10.8
Audit checks on Winery Appeals	8.11 & 8.12
Basis for levy and collection of Excise Duties	1.2 & 6.1
Brewery license	4.2
Brewery records	4.6 or .8
Bonded warehouse license	5.2, 5.3
Bonded warehouse records	5.15
Bonded Pharmacy records	6.13
Charging of duty	4.5
Central law	1.1(a)
Confiscation & seizures	8.13 to 8.16
Condition of license	4.4
Definitions under Distilleries	3.7(a)
Distillery pass	3.17
Breweries	4.1
Bonded warehouse	5.1
Distillation	3.7(b)
Distillery record	3.19
Distillery license	3.10
Duty to be deposited in advance	3.18
Disposal of forfeited molasses	3.5
Duties of Departmental Officers	2.2
Enforcement and internal audit	2.3, 2.4

Excess wastage	3.14
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