

**CHAPTER-III**  
**STATE EXCISE**

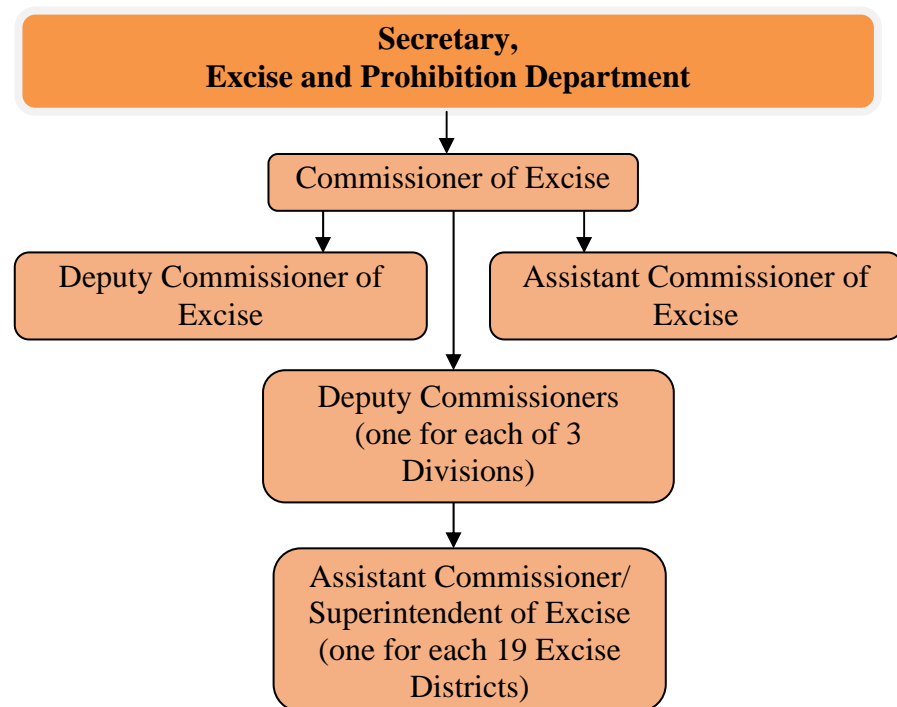


## CHAPTER – III: STATE EXCISE

### 3.1 Tax administration

The levy and collection of Excise Duty is governed by the Bihar Excise Act, 1915 and the Rules made/notifications issued thereunder, as adopted by the Government of Jharkhand. The Secretary of the Excise and Prohibition Department is responsible for administration of the State Excise laws at the Government level. The Commissioner of Excise (EC) is the head of the Department. He is primarily responsible for the administration and execution of the excise policies and programmes of the State Government. He is assisted by a Deputy Commissioner of Excise and an Assistant Commissioner of Excise at the Headquarters. Further, the State of Jharkhand is divided into three excise divisions<sup>1</sup>, each under the control of a Deputy Commissioner of Excise. The divisions are further divided into 19 Excise Districts<sup>2</sup> each under the charge of an Assistant Commissioner of Excise/Superintendent of Excise (ACE/SE).

The organisational chart of the department is as under:



For supply of all types of liquor to retailers of excise shops in the State, the Jharkhand State Beverage Corporation Limited (JSBCL) headed by a Managing Director was formed in October 2010 to function as an exclusive wholesale depot.

<sup>1</sup> North Chotanagpur Division, Hazaribag, South Chotanagpur Division, Ranchi and Santhal Pargana Division, Dumka.

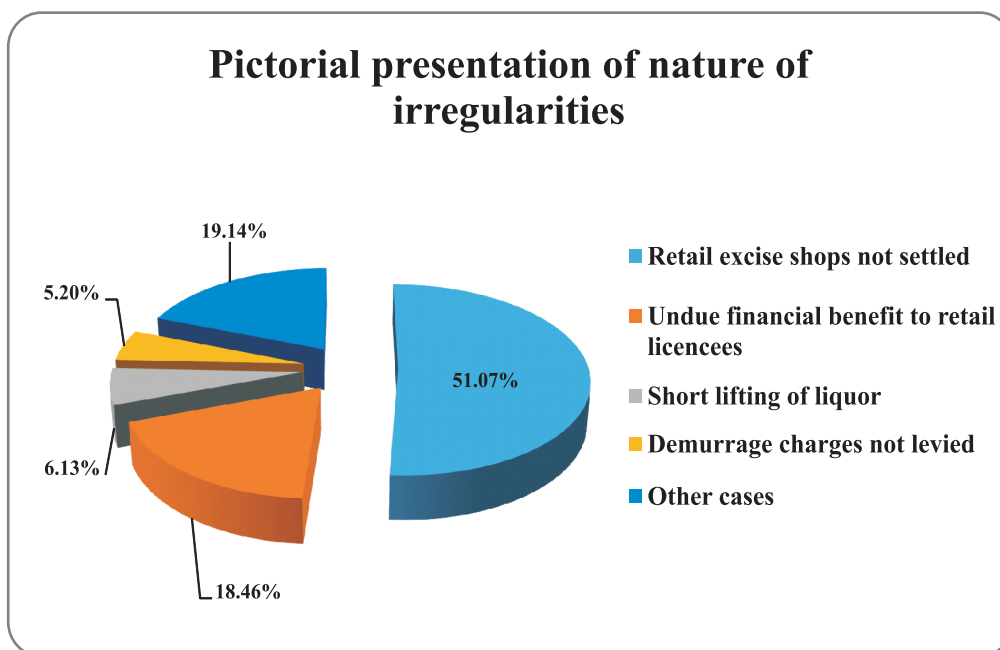
<sup>2</sup> Bokaro, Chaibasa, Dhanbad, Deoghar, Dumka, Garhwa, Giridih, Godda, Gumla-cum-Simdega, Hazaribag-cum-Ramgarh-cum-Chatra, Jamshedpur, Jamtara, Koderma, Lohardaga, Pakur, Palamu-cum-Latehar, Ranchi, Sahebganj and Saraikela-Kharsawan.

### 3.2 Results of audit

We planned for test check of records of 15 annual units and one biennial unit out of the total 23 units of Excise and Prohibition Department during 2015-16 and test checked all the above planned units<sup>3</sup>, which collected revenue of ₹ 786.53 crore, relating to 'State Excise'. Our Audit revealed short levied/not levied etc. of excise duty and licence fees involving ₹ 92.03 crore in 8,114 cases as per details mentioned in **Table-3.1**.

**Table-3.1**

Sl. No.	Categories	No. of cases	(₹ in crore)
			Amount
1	Retail excise shops not settled	79	47.00
2	Undue financial benefit to retail licencees	893	16.99
3	Short lifting of liquor	457	5.64
4	Demurrage charges not levied	80	4.79
5	Other cases	6,605	17.61
<b>Total</b>		<b>8,114</b>	<b>92.03</b>



During the year, the Department accepted short/not realisation licence fee, duty, loss of revenue and other deficiencies of ₹ 64.81 crore in 7,274 cases pointed out by us during 2015-16 and recovered an amount of ₹ 5.60 crore in 434 cases.

In the succeeding paragraphs we present a few illustrative cases having financial implications of ₹ 57.75 crore.

<sup>3</sup> Offices of ACE, Bokaro, Dhanbad, Hazaribag-cum-Ramgarh-cum-Chatra, Jamshedpur and Ranchi, SE, Chaibasa, Palamu-cum-Latehar, Deoghar, Dumka, Giridih, Godda, Gumla, Koderma, Lohardaga at Gumla, Saraikela-Kharsawan and Commissioner of Excise, Ranchi.

### 3.3 Provision of Acts/Rules not complied with

*The Bihar Excise (BE) Act, 1915 (as adopted by the Government of Jharkhand) and Resolution No. 367 dated 20 February 2009, Gazette Notification No. 150 dated 27 March 2009 and letter No. 191 dated 31 March 2013 issued thereunder provide for:*

- i) *cent per cent settlement of retail excise shops;*
- ii) *lifting of minimum guaranteed quota (MGQ) by excise retail shops; and*
- iii) *realisation of additional licence fee for excess lifting over MGQ.*

*Loss or revenue not realised due to not observing some of the provisions of the Act/Rules are mentioned in the following paragraphs.*

### 3.4 Retail liquor shops not settled

**The Government was deprived of excise revenue of ₹ 47 crore on account of excise duty and licence fee due to lack of diligence on part of district excise authorities.**

Under the provisions of the BE Act, Rules and policies made thereunder, the Excise and Prohibition Department, Government of Jharkhand by the Resolution No. 367 dated 20 February 2009 followed by a Gazette Notification No. 150 dated 27 March 2009, adopted a new excise policy along with guidelines to settle all retail shops through lottery system in place of bid for auction/tender with a view to generate more excise revenue, check sale of illicit liquor, control monopoly of a single unit/person and provide standard liquor to the consumers. As per instructions of Excise Commissioner issued on 26 February 2014 all the ACEs/SEs were made responsible for *cent per cent* settlement of retail excise shops by rationalising fixation of MGQ of shops keeping in view the potentiality of the shops. In case of retail shops remaining unsettled, licencing authorities have the discretionary powers to recommend settlement of shops at reduced reserve fee to the Excise commissioner (EC). The EC may approve the settlement proposal at reduced licence fee in the interest of excise revenue.



We noticed in four excise districts<sup>4</sup> (between July and December 2015) that lists of excise retail shops specifying their MGQ and licence fee, advance licence fee and security money were prepared at the district level and sale notifications containing all these facts were published. Settlement process was conducted between February and March 2014 for settlement of 454

<sup>4</sup> Bokaro, Dhanbad, East Singhbhum (Jamshedpur) and Hazaribag-cum-Chatra-cum-Ramgarh.

excise retail shops for the period 2014-15. However, 79 retail shops<sup>5</sup> remained unsettled throughout the year as target of MGQ was not fixed after considering the actual consumption of previous year. Except issue of sale notifications no other efforts were made by the Department. Thus, due to lack of diligence on the part of excise authorities, Government was deprived of ₹ 47 crore on account of excise duty and licence fee, as mentioned in **Table-3.2**.

**Table-3.2**

(₹ in lakh)

Sl. No.	Name of Excise District	MGQ (LPL/BL)			Licence Fee	Duty	Total (LF+Duty)
		CS/SpCS	IMFL	Beer			
1	Bokaro	9,70,154	2,13,800	2,87,592	902.37	251.01	1,153.37
2	Dhanbad	1,28,688	1,93,824	3,09,120	449.90	189.77	639.67
3	Jamshedpur	7,75,565	6,89,123	9,16,042	1,731.15	666.33	2,397.48
4	Ramgarh	2,39,957	1,32,952	1,64,234	377.28	132.10	509.38
<b>Total</b>		<b>21,14,364</b>	<b>12,29,699</b>	<b>16,76,988</b>	<b>3,460.70</b>	<b>1,239.20</b>	<b>4,699.90</b>

CS/SpCS = Country Spirit/Spiced country spirit, IMFL = India Made Foreign Liquor, LPL = London Proof Liter and BL = Bulk Liter.

We reported the matter to the Government in May 2016, the Excise Commissioner stated (August 2016) that shops could not be settled due to absence of interested applicants, even though efforts were made for *cent per cent* settlement of shops. The reply was not convincing as the Department did not make any effort to fix MGQ as per norms or on the basis of potentiality of the shops for *cent per cent* settlement of retail shops. Further, no efforts were made to contact previous licencees to settle the shops or to investigate as to why these shops remained unsettled. As major excise revenue depends upon settlement of retail shops, the Government was deprived of revenue. Also there is a risk of supply of illicit liquor due to unsettled shops.

### 3.5 Short lifting of liquor by retail vendors

**Penalty equivalent to loss of excise duty of ₹ 5.57 crore on account of short lifting of liquor was not levied.**

Under the provisions of the BE Act, Rules and policies made thereunder, each licence vendor of a retail excise shop is required to submit weekly requirement of country spirit for the next month to the contractor of the exclusive privilege for wholesale supply of country spirit by the last week of the previous month and is bound to lift MGQ of liquor of each kind fixed by the Department for the shop, failing which penalty equivalent to loss of excise duty suffered by the Government shall be recoverable from the vendor.



We test checked (between July 2015 and March 2016) the consumption statements of liquor in six excise districts<sup>6</sup> and found that 447 vendors out of 701 retail shops were required to lift 187.41 lakh LPL/BL of

<sup>5</sup> Number of shops unsettled/offered: Bokaro (23/98), Dhanbad (10/147), Jamshedpur (37/165) and Ramgarh (9/44).

<sup>6</sup> Bokaro, Dhanbad, East Singhbhum (Jamshedpur), Hazaribag-cum-Chatra-cum-Ramgarh, Ranchi-cum-Khunti and Gumla-cum-Simdega.

CS/SpCS/IMFL /Beer in 2014-15 from wholesale licencees but only 152.30 lakh LPL/BL was lifted during the year resulting in short lifting of liquor of 35.11 lakh LPL/BL. The Department did not levy penalty equivalent to loss of excise duty of ₹ 5.57 crore on account of short lifting of liquor.

We reported the matter to the Government in May 2016, the Excise Commissioner stated (August 2016) that out of the total amount, an amount of ₹ 5.55 crore has been adjusted from the security deposits of licencees and adjustment of balance amount was under process. Further reply has not been received (October 2016).

### **3.6 Demurrage charges<sup>7</sup> not levied**

**Demurrage charges of ₹ 4.16 crore on dumped stock of IMFL/Beer in JSBCL godowns/depots were not levied.**

The provisions of clause 8 (b) and 10 (b) of Liquor Policy read with circular issued by JSBCL in April 2013 provides for levy of demurrage charges at the rate of ₹ two per case per day in respect of IMFL stock older than 120 days and beer stock older than 60 days from the date of receipt at JSBCL godowns.

We test checked (between July 2015 and March 2016) the excise records and data/information of 13 JSBCL Depots<sup>8</sup> in 11 excise districts<sup>9</sup> for the year 2014-15 and noticed that 1.32 lakh cases of IMFL/Beer of 24 distributors/manufacturers<sup>10</sup> were lying in godowns for period ranging from 3 to 570 days beyond the permissible limit of storage in JSBCL godowns. However, the JSBCL did not levy demurrage charges of ₹ 4.16 crore upon the distributors/manufactures.

We reported the matter to the Government in May 2016, the Excise Commissioner stated (August 2016) that JSBCL had been directed to calculate the demurrage charges of all districts and accordingly distributors/manufacturers have also been directed for payment of charges. The Commissioner further stated that demurrage charges would be levied after finalisation of calculation. Further reply has not been received (October 2016).

<sup>7</sup> Fee for delay.

<sup>8</sup> Bokaro, Dhanbad, Dumka, Deoghar, East Singhbhum (Jamshedpur), Giridih, Hazaribag, Latehar, Palamau, Ranchi, Ramgarh, Saraikela and West Singhbhum (Chaibasa).

<sup>9</sup> Bokaro, Dhanbad, Dumka-cum-Godda, Deoghar, East Singhbhum (Jamshedpur), Giridih, Hazaribag-cum-Chatra-cum-Ramgarh, Palamau-cum-Latehar, Ranchi-cum-Khunti, Saraikela-Kharsawan and West Singhbhum (Chaibasa).

<sup>10</sup> Adie Broswon Brew. (p)Ltd., Allied Blenders and distillery (p)Ltd., Bacardi India (p)Ltd., Beam Global Spirits and Wine India (p)Ltd, Bhutan Brew (p)Ltd., Carlsberg India (p) Ltd., Devans Modern Brew. Ltd., Diageo India (p) Ltd., Four Seasons Wine Ltd., Jagajit Industries Ltd, Jagpin Brew. Ltd, Khoday India Ltd., Mohan Meakin Ltd, Mount Shivalik Brew. Ltd., Nashik Vintners (p) Ltd., Pernod Ricard India (p)Ltd., Radico Khaitan Ltd., Sab Miler India Ltd., Shree Om Bottlers and Blenders (p)Ltd, Som Distill. and Brew. Ltd., Spencer disill. and brew. (p) Ltd., Sri Lab Brew. (p) Ltd., United Brew. Ltd. and United spirits limited.

### 3.7 Blockage of excise revenue

**Stock of IMFL was not transferred to duty paid warehouse which resulted in blockage of excise revenue of ₹ 90.17 lakh.**

Under the provisions of Section 17 of BE Act, no intoxicant shall be removed from any distillery, brewery, warehouse or other place of storage licenced, established, authorised or continued under this Act, unless the duty (if any) payable under Chapter V has been paid or a bond has been executed for the payment thereof. Accordingly, a licensee of IMFL bottling plant is required to compulsorily obtain licences in Excise Form 19-B and 19-C; one for storage of IMFL under bond in a warehouse and the other for sale of stock after payment of excise duty on supply of IMFL/Beer to wholesalers/JSBCL.

We test checked (July 2015) the annual stock-taking account for the year 2014-15 in Bokaro excise district and noticed that a licensee<sup>11</sup> holding both licences did not transfer one lakh LPL of IMFL manufactured between September and November 2013 to the duty paid warehouses for supply to wholesaler/JSBCL. The Department sanctions procurement of raw material under bond in anticipation that excise revenue would be realised after conversion of it into IMFL. Since there is no timeframe for transfer of IMFL from 19-B to 19-C, the licensee retained the stock in 19-B warehouse resulting in blockage of excise revenue of ₹ 90.17 lakh.

We reported the matter to the Government in May 2016, the Excise Commissioner stated (August 2016) that the Assistant Commissioner Excise, Bokaro had been directed to ensure transfer of IMFL from 19-B to 19-C and realisation of excise revenue. Further reply has not been received (October 2016).

### 3.8 Licence fee not realised

**Licence fee of ₹ 11.49 lakh not realised for excess wholesale supply over fixed MGQ of CS/SpCS.**

The Department of Excise and Prohibition, Government of Jharkhand constituted JSBCL for storing and wholesale supply of liquor (CS/SpCS) to retail licence vendors in the State through different warehouses on payment of advance fee at prescribed rate of ₹ two per LPL of fixed MGQ of the districts. Further, if supply of liquor exceeds fixed MGQ of the district during the year, licence fee for excess supply was realisable at the same rate.

We test checked (between July 2015 and March 2016) the licence files of JSBCL, consumption statements and related records in nine excise districts<sup>12</sup> and noticed that eight JSBCL warehouses<sup>13</sup> supplied 25.39 lakh LPL of CS/SpCS against fixed MGQ of 19.64 lakh LPL resulting in excess supply of CS/SpCS of 5.74 lakh LPL during the period 2014-15. Thus, licence fee of

<sup>11</sup> M/s Shree Om Bottlers and Blenders (Pvt. Ltd.), Baliadih, Bokaro

<sup>12</sup> Chaibasa, Deoghar, Dumka, Giridih, Godda, Gumla-cum-Simdega, Lohardaga, Palamau-cum-Latehar and Saraikela-Kharsawan.

<sup>13</sup> Chaibasa, Deoghar, Dumka, Giridih, Latehar, Palamau, Ranchi and Saraikela.



₹ 11.49 lakh for excess supply of liquor was not realised from JSBCL in accordance with the above provisions.

We reported the matter to the Government in May 2016, the Excise Commissioner stated (August 2016) that the licence fee would be adjusted from the security deposit of the company. Further reply has not been received (October 2016).

