

CHAPTER III
STATE EXCISE DEPARTMENT



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3.1 Administration

The State Excise Department is responsible for collection of revenue under Assam Excise Act, 1910 (as adapted by Meghalaya), the Assam Excise Rules, 1945 (as adapted), the Assam Distillery Rules, 1945 (as adapted) and the Assam Bonded Warehouses Rules, 1965 (as adapted) and enforcement of Excise laws. Excise revenue comes from *ad valorem* levy, establishment charges, various kinds of licence fees on foreign liquor/beer, country spirit, rectified spirit, *etc.* Further, import pass fee, export pass fee, transport pass fee, under bond pass fee, brand and label registration/renewal fee generate revenue for the State exchequer.

The Principal Secretary/Commissioner and Secretary to Government of Meghalaya, Excise, Registration, Taxation and Stamps (ERTS) Department is in overall charge of the State Excise Department at the Government level. The Commissioner of Excise (CE) is the administrative head of the Department who is assisted by a Joint Commissioner of Excise and Deputy/Assistant Commissioners of Excise (DCEs/ACEs). At the district level, Superintendents of Excise (SEs) have been entrusted with the work of levy of excise duties and other dues from the licensees such as bonded warehouses, bottling plants, distilleries and retailer shops.

3.2 Results of Audit

Test-check of records of five units during 2022-23 revealed short collection of revenue, loss of revenue, and other irregularities in 39 cases involving an amount of ₹ 33.60 crore, which fall under the following categories:

Table 3.2.1: Results of Audit conducted during 2022-23

(₹ in crore)			
Sl. No.	Category	No. of Cases	Amount
1.	Short collection of taxes	8	8.26
2.	Loss of revenue	16	20.87
3.	Other irregularities	15	4.47
Total		39	33.60

During the year 2022-23, the Department accepted short collection of revenue and other deficiencies to the tune of ₹ 0.03 crore in three cases. Recovery amounting to ₹ 0.82 crore was made at the instance of audit in respect of seven cases. The recovered amount pertains to cases held under objection from years preceding 2022-23.

An illustrative case having financial impact of ₹ 14.58 crore, resulting from the underpayment of excise duty by bonded warehouses, attributed to the failure of the Department to apply the excise duty rates as stipulated by the Government of Meghalaya, is elaborated upon in the subsequent paragraph.

3.3 Short/non-levy of Excise Duty from bonded warehouses.

Short levy of Excise Duty by the Department to the tune of ₹ 14.58 crore

As per Rule 25 of the Assam Bonded Warehouse Rules, 1965 (as adapted by Meghalaya), spirits may be removed from bonded warehouse as follows:

1. Under bond - (a) for transport to another distillery or warehouse (b) for export to other States
2. On payment of duty- (a) for local consumption or use and (b) in case of foreign liquor for export to other States
3. Without payment of duty and without bond - if issued to the public servant empowered to purchase or remove them on public service
4. Without payment of duty and without bond in respect of rectified spirit and absolute alcohol- issued to Government hospitals, dispensaries, private hospitals, medical institutions, etc.

Rule 114 of the Assam Excise Rules, 1945 (as adapted by Meghalaya) provides that, the receipt and removal of spirits from bonded warehouse shall be only on the basis of transit passes issued from the officer-in-charge of the distillery or of bonded warehouse from where they have been transferred or by a special pass by an authorised officer.

Further, Rule 267 provides that the excise duty should be paid by the distiller or warehouse before removal of spirits from their premises unless a bond has been executed for such payment.

The rates of excise duty are fixed by the Excise Registration Taxation Stamps Department, Government of Meghalaya from time to time. The minimum rates applicable during the period (2018-19 to 2020-21) covered by Audit are given in **Table 3.3.1**.

Table 3.3.1: Statement on minimum applicable excise duty rates as notified by GoM.

IMFL Brands	(Amount in ₹)		
	ERTS(E)24/2008/99 dt. 15.03.2017	ERTS(E)24/2008/144 dt 29.12.2017	ERTS(E)24/2008/211 dt 01.11.2019
Regular Brands	524.00	-	500.00
General Brands	663.00	-	600.00
Deluxe Prestige Brand	750.00	725.00	810.00
Deluxe Premium Brand	1,100.00	950.00	910.00
Semi Premium Brand	1,350.00	1,150.00	-
Premium Brand	1,550.00	1,350.00	-
Super Premium Brand	1,650.00	1,550.00	-
BIO Brands	2,000.00	-	-
BIO (Liquor/Wine)	-	1,000.00	-
BIO (Beer)	-	500.00	-

Audit of the records pertaining to the Superintendent of Excise (SE), Tura during the period April 2018 to March 2019, revealed that the Department failed to levy excise duty in accordance with the prescribed rates, thereby leading to a substantial shortfall in Excise Duty collection amounting to ₹ 14.58 crore as summarised in **Table 3.3.2**.

Table 3.3.2: Summary showing short-levy of Excise Duty.

(Amount in ₹)

Sl. No.	Name of the Bonded Warehouse	Total No. of cases sold	Excise duty payable as per rates notified by GoM	Excise Duty paid	Short payment of Excise duty	Related Appendices
1.	M/s Hill View Bonded Warehouse, Araimile, West Garo Hills	1,66,726	12,78,46,521	5,53,34,757	7,25,11,764	Appendix 3.1
2.	M/s Gloria Bonded Warehouse, Tura, West Garo Hills	3,88,385	24,69,49,808	17,75,21,363	6,94,28,445	Appendix 3.2
3.	M/s Tura Bonded Warehouse, Tura, West Garo Hills	88,889	4,41,72,114	4,03,06,878	38,65,236	Appendix 3.3
Total			41,89,68,443	27,31,62,998	14,58,05,445	-

From the table, it could be seen that out of the total excise duty liability amounting to ₹ 41.90 crore, the sum levied from the above-mentioned Bonded Warehouses was ₹ 27.32 crore, hence, there was a shortfall of ₹ 14.58 crore (35 per cent).

These discrepancies were reported to the Superintendents of Excise, Tura in June 2020, and subsequently to the Government in September 2023.

In December 2023, the Commissioner of Excise, Meghalaya issued correspondence seeking replies from the defaulting warehouses. Additionally, the Superintendent of Excise, Tura issued orders for payment of the deficient amount to the aforementioned Bonded Warehouses and to the officers-in-charge in January 2024. The details of recovery are yet to be intimated to Audit (April 2024).

Recommendation: To address failure in excise duty collection and prevent revenue losses, it is recommended to conduct thorough investigations into the lapses, and enforce strict compliance with government notifications in application of excise duty rates.

