

CHAPTER-III EXCISE DEPARTMENT

3.1 Administration

The State Excise Department is responsible for collection of Excise revenue under Assam Excise Act and enforcement of Excise laws on prohibition of illicitly distilled liquor, Ganja, Bhang and Opium. In addition, the Department is given the responsibility of enforcing the provisions of Narcotic Drugs and Psychotropic Substances Act and the Medicinal and Toilet Preparation Act. The Commissioner of Excise (CE), Assam is the head of the Department. The CE is primarily responsible for administration and execution of Excise policies and programmes of the State Government. The CE is assisted by an Additional Commissioner of Excise, one Joint Commissioner of Excise at Excise Intelligence Bureau (EIB), and two numbers Deputy Commissioners of Excise, one at Headquarters and another at Bodoland Territorial Area Districts (BTAD), Kokrajhar.

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, brand and label registration/ renewal fee also generate revenue to the Government exchequer.

In 2016-17, the Assam Excise Act, 1910 has been replaced by the Assam Excise Act, 2000 and the Assam Excise Rules, 1945 was replaced by the Assam Excise Rules, 2016 which was notified and has come into force *w.e.f.* 01 September 2016. The point of levy of Excise Duty was shifted to the level of first point of transaction made within the State ensuring that only duty paid liquor comes out from the manufactories. This has resulted in curbing leakage of collection of excise revenue.

3.2 Performance Audit on “Regulation and Control over Manufacturing and Sale of Alcoholic Products”

3.2.1 Introduction

State Excise Revenue is one of the largest sources of own Tax Revenue of the State, and it has shown significant growth over the last few years. There has been a revision in the regulatory matters on Excise with the introduction of the Assam Excise (Amendment) Act, 2000 and the Assam Excise Rules, 2016 replacing the Assam Excise Act, 1910 and the Assam Excise Rules, 1945 respectively.

The Assam Excise Act and the Rules made thereunder, empower the Government or Department to issue new/ renew the licences for various activities such as manufacturing of alcoholic products in Distilleries, Breweries, packaging in Bottling Plants as well as for possession, transportation, distribution and sale of alcoholic products.

The Acts and Rules also provide for complete supervision of manufacturing activities by Excise Department through its officers and staff posted in the Distilleries, Breweries, Bottling Plants, *etc.* Control over transportation, distribution and sale is exercised

through issue of permits, Excise Verification Certificates, affixing holograms on bottles, etc.

3.2.2 Trend of Excise Revenue of the State

State Excise Revenue is mainly derived from fee for licences issued to Distilleries, Breweries and Liquor dealers, duties on liquor, other spirits, beer, fines, penalties, etc.

3.2.2.1 Excise Revenue compared to Tax Revenue

The Tax Revenue raised by the State Excise Department accounted for 8.79 to 11.91 per cent of tax revenue of the Government of Assam during the years 2018-19 to 2023-24 as detailed in **Table 3.1**:

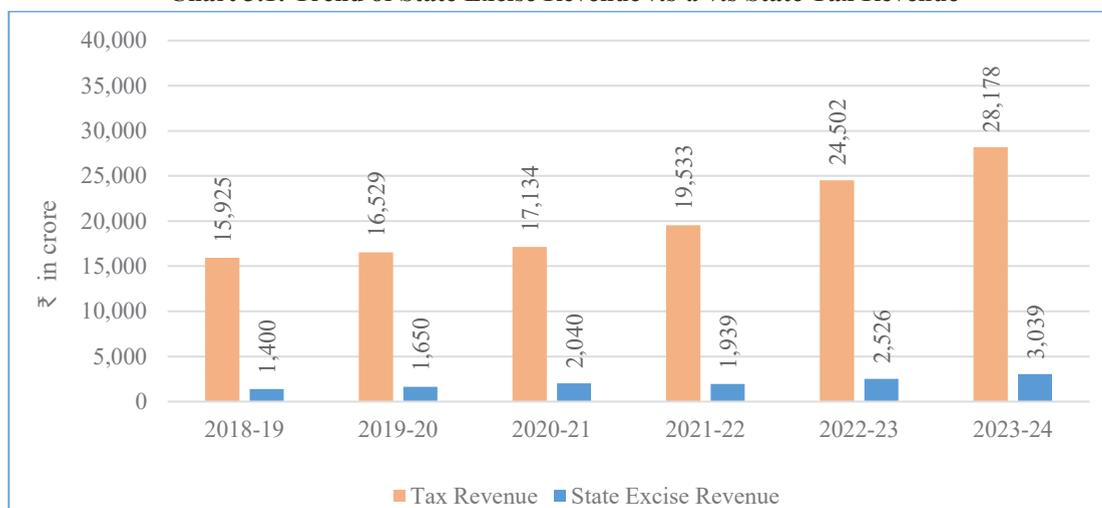
Table 3.1: Details of Tax Revenue and State Excise Revenue

		(₹ in crore)					
Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
I	Tax Revenue	15,924.85	16,528.68	17,133.61	19,533.10	24,502.02	28,178.12
II	State Excise Revenue	1,399.84	1,650.03	2,039.94	1,939.07	2,525.57	3,038.67
III	Percentage of increase of Excise Revenue from previous year	27.82	17.87	23.63	(-)4.94	30.25	20.32
IV	Percentage of Excise Revenue (II) to Total Tax Revenue (I)	8.79	9.98	11.91	9.93	10.31	10.78

Source: Finance Accounts of Government of Assam

The trend of State Excise Revenue vis-à-vis State Tax Revenue is shown in **Chart 3.1**.

Chart 3.1: Trend of State Excise Revenue vis-à-vis State Tax Revenue



It may be seen that there was steady increase in Excise Revenue over previous years except for the year 2021-22. Reason for decrease in Excise Revenue in the year 2021-22 was the increase in rate of Excise duty in May 2020 by 35 per cent, which was rolled back in February 2021.

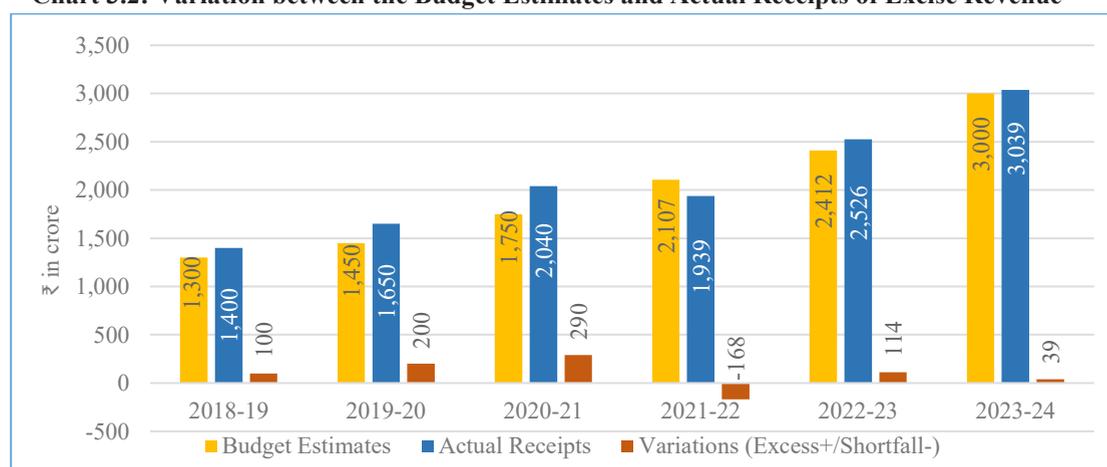
3.2.2.2 Budget estimates and actual receipts

The variations between the budget estimates and actual excise revenue receipts for the years 2018-19 to 2023-24 are mentioned in **Table 3.2**:

Table 3.2: Details of Budget Estimates and Actual Receipts of Excise Revenue*(₹ in crore)*

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation
2018-19	1,300.00	1,399.84	(+)99.84	(+)7.68
2019-20	1,450.00	1,650.03	(+)200.03	(+)13.80
2020-21	1,750.00	2,039.94	(+)289.94	(+)16.57
2021-22	2,106.92	1,939.07	(-)167.85	(-)7.97
2022-23	2,412.00	2,525.57	(+)113.57	(+)4.71
2023-24	3,000.00	3,038.67	(+)38.67	(+)1.29

Source: Departmental figures and Finance Accounts of Government of Assam

Chart 3.2: Variation between the Budget Estimates and Actual Receipts of Excise Revenue

3.2.2.3 Sale of Liquor Products

Details of sale of Liquor (India Made Foreign Liquor or IMFL, Beer and Country Spirit) during the years 2018-19 to 2023-24 are mentioned in **Table 3.3**:

Table 3.3: Details of quantity of liquor sold

Year	Quantity sold (In LPL ¹⁴ /BL ¹⁵)		
	IMFL (LPL)	Beer (BL)	Country Spirit (BL)
2018-19	544,39,115	321,01,272	44,67,854
2019-20	624,51,636	396,43,203	88,50,116
2020-21	560,18,797	317,73,925	80,32,122
2021-22	711,71,616	430,69,446	85,77,299
2022-23	839,78,993	608,05,307	84,41,482
2023-24	914,82,756	716,13,314	81,38,523
Total	41,95,42,913	27,90,06,467	4,65,07,396

Source: Departmental figures

It may be seen from the table above that there was an increasing trend in the year-wise sale of liquor in the State except for the year 2020-21. The decrease in sales in 2020-21 was attributable to outbreak of Covid-19 pandemic.

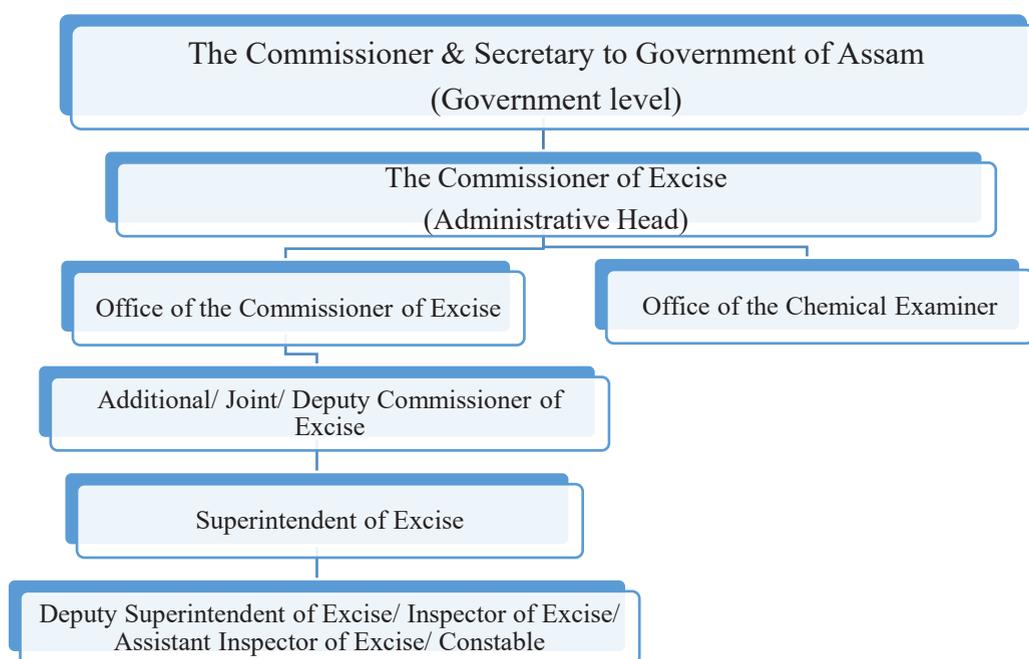
¹⁴ LPL, or London Proof Litre, is a unit of measurement for the strength of liquor. It's calculated by converting a sample of alcohol into a volume of alcohol with a strength of 100 proof. 100 proof alcohol is defined as a mixture of alcohol and water where 13 parts by volume of the mixture weigh exactly the same as 12 parts by volume of distilled water at 51°F.

¹⁵ BL means Bulk Litre, a litre with reference to the bulk or quantity of the contents equivalent to 0.219 gallons

3.2.3 Organisational set up of the State Excise Department

The Commissioner & Secretary to the Government of Assam, Excise Department is overall in-charge of the State Excise Department at the Government level. The Commissioner of Excise is the Administrative Head of the Department who is assisted by an Additional Commissioner of Excise, one Joint Commissioner of Excise, who heads the Excise Intelligence Branch and two Deputy Commissioners. Another office headed by the Chemical Examiner functions under the Commissioner of Excise.

At the district level, the Superintendent of Excise (SE) functions under the District Commissioner of the district (being the Administrative Head of the District) and subject to the general control of the Excise Commissioner, exercises all the powers and performs all the duties conferred in the Excise Laws. Deputy Superintendent of Excise (DSE), Inspector of Excise, Assistant Inspector of Excise, Excise Head Constable and Excise Constable work at the district/ sub-divisional levels under direct supervision of the Superintendent of Excise (SE). The functional structure of the Excise Department and its functionaries is shown in the following organogram.



3.2.4 Audit Objectives

The Performance Audit (PA) aimed to ascertain whether:

- Act & Rules for manufacturing of alcoholic products are enacted and implemented effectively;
- Enforcement and monitoring mechanisms were effective to detect offence cases and prevent leakage of revenue; and
- Transportation and sale of alcoholic products are regulated and controlled effectively to fulfil the objectives laid down in the Act.

3.2.5 Audit Criteria

The Department's regulation and control over manufacturing and sale of alcoholic products were assessed against the provisions envisaged under the following criteria:

- ✓ The Assam Excise Act, as amended from time to time
- ✓ The Assam Excise Rules, 2016 (as amended from time to time)
- ✓ The Manual of Excise & Salt Department, 1918
- ✓ Notifications, Circular, Instructions, *etc.* issued by the Department & the Government from time to time.

3.2.6 Scope of Audit and Methodology

The Performance Audit (PA) covered a period of six years from 2018-19 to 2023-24. Records, information, data, *etc.* of the Office of the Commissioner & Secretary, the Commissioner of Excise, the Joint Commissioner of Excise, the Chemical Examiner and the selected districts were analysed. Besides, information relating to inter-state supply of alcoholic products from Assam to the neighbouring States were also examined to ascertain the revenue realisation. In 12 selected Districts, records/documents in respect of Office of the Superintendent of Excise, Deputy Superintendent of Excise were checked and also joint physical verification of Manufacturing Units, Bottling Plants, Breweries, Warehouses was carried out on a random sample basis.

An Entry Conference was held on 19 June 2023 wherein scope, objectives and methodology of audit were explained to the representatives of GoA and the Excise Department. The Commissioner of Excise (CE), the Additional Commissioner of Excise and the Deputy Commissioner of Excise, Assam attended the meeting on behalf of the Excise Department while the Joint Secretary, Excise Department and the Secretary, Finance Department represented the GoA. The PA Report was shared with the Department and the Government in August 2024. The audit observations were discussed in an Exit Conference (11 February 2025) and views expressed and replies furnished (February/April 2025) have been included in the Audit Report appropriately.

3.2.7 Audit Sampling

Selection of 12¹⁶ out of 26 District Excise Offices was made after arranging the districts alphabetically through Simple Random Sampling without Replacement (SRSWOR) using IDEA software.

Further, selection of different Licensees within the selected District Excise Offices was done as per the criteria mentioned in *Appendix-XIX*.

3.2.8 Acknowledgement

The Indian Audit and Accounts Department (IA&AD) acknowledges the co-operation of the Excise Department, Government of Assam, for providing necessary information and records for audit, though it was delayed.

¹⁶ (i) Baksa (ii) Cachar (iii) Jorhat (iv) Kamrup (v) Karbi Anglong (vi) North Lakhimpur (vii) Morigaon (viii) Nagaon (ix) Nalbari (x) Sivasagar (xi) Sonitpur (xii) Tinsukia

3.2.9 Audit Findings

As depicted in **block diagram 1**, the distilleries, breweries, bottling plants and the wholesale licensees played the most vital role in production and sale of IMFL, Country Spirit, Beer to the consumers, both within the State (through retailers of the State) and outside the State (through export permits). As such, these were the key points for exercising the regulation and control by the Excise Department. Audit Findings grouped as per Audit Objectives, are mentioned in the succeeding paragraphs:

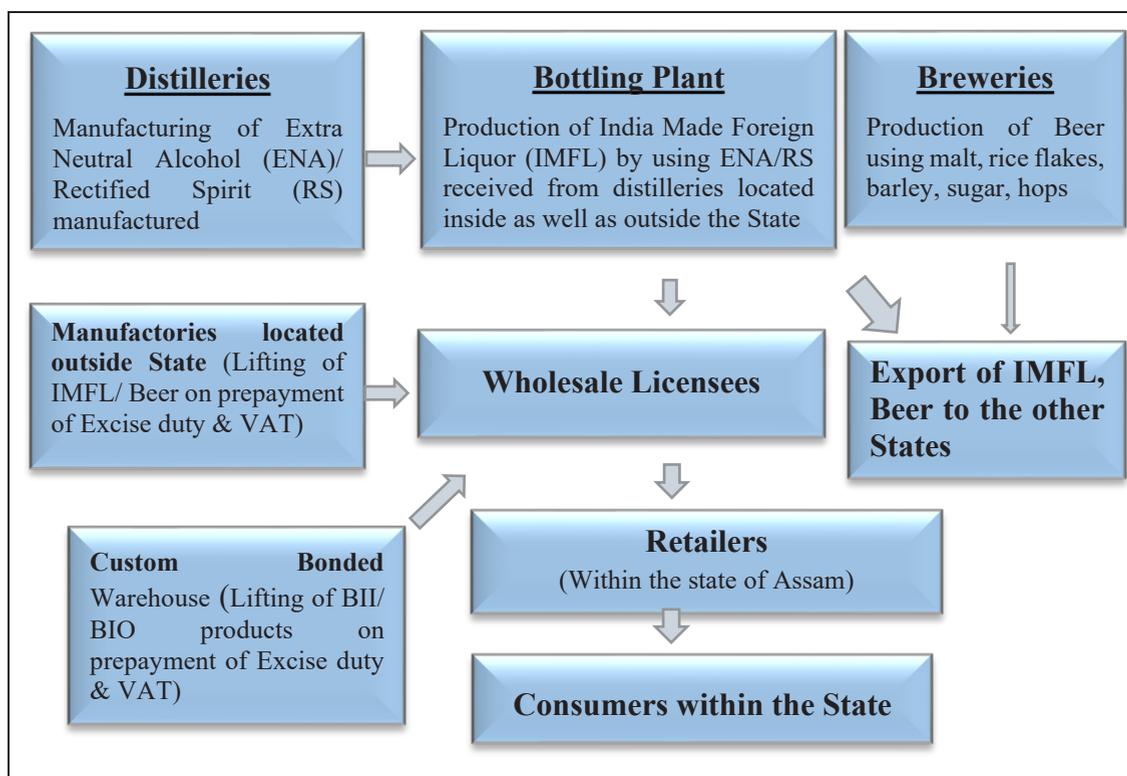
3.2.10 Process of manufacturing, distribution and sale of alcoholic products

‘Liquor’ means intoxicating liquor (such as wine, India Made Foreign Liquor, Country Spirit, Beer, Rum, Gin, Rectified Spirit, Extra Neutral Alcohol, *etc.*) and includes all liquid consisting of or containing alcohol and any substance which the State Government may, by notification, declare to be liquor.

Country Spirit (CS) and India Made Foreign Liquor (IMFL) are manufactured from Extra Neutral Alcohol (ENA)¹⁷/ Rectified Spirit (RS) produced in the Distilleries through the process of blending/ reduction, compounding and flavouring, *etc.* Beer is manufactured from malt, grain, sugar and hops in breweries.

The process of manufacturing, distribution and sale of liquor in the State of Assam is depicted in the following block diagram:

Block diagram 1: Process of manufacturing, distribution and sale of liquor in the State of Assam



¹⁷ Extra Neutral Alcohol (ENA) is the purest form of alcohol, with no taste or smell. It can be made from different raw materials such as sugarcane molasses or grains like corn, wheat, barley, *etc.* and rice. ENA is primarily used as a base for spirits and alcoholic beverages, but it also has many other applications

The PA brought out various deficiencies in regulations as well as effective compliance of rules, which are discussed in the succeeding paragraphs:

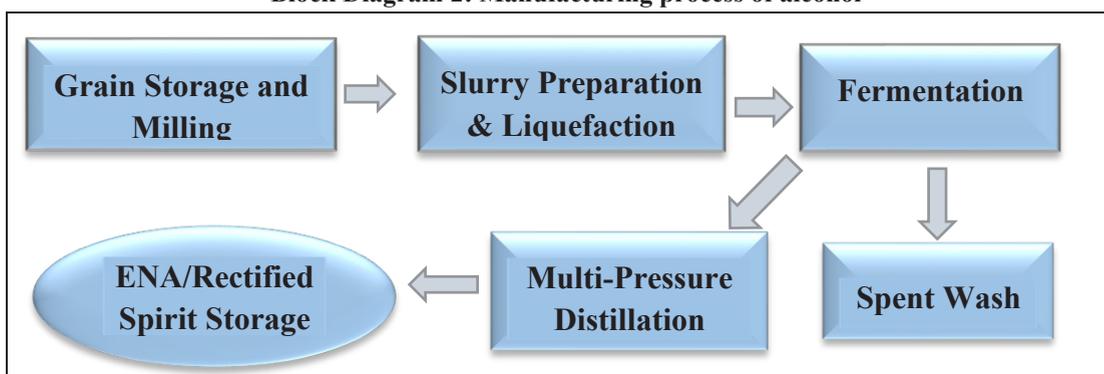
3.2.11 Effectiveness of Rules on Manufacturing of Alcoholic Products

Audit Objective 1: Whether Act & Rules for manufacturing of alcoholic products are enacted and implemented effectively

3.2.11.1 Control over manufacturing of alcohol at Distilleries & Revenue therefrom

There are two distilleries¹⁸ in Assam, which are manufacturing Extra Neutral Alcohol (ENA) and Rectified Spirit (RS) from grains (rice, maize, etc.). The following block diagram displays the manufacturing process of alcohol:

Block Diagram 2: Manufacturing process of alcohol



3.2.11.1.1 Norms of production of alcohol from grains not prescribed: Norms prescribed for manufacture of any product in proportion to the raw material consumed by the industry, is a prime control mechanism to exercise control on the quantum of alcohol actually produced in the State as well as to safeguard the interests of the State against the possibility of under disclosure of production by the manufacturers.

It was observed that the Government of Assam did not prescribe the norms or standard (*i.e.*, input-output ratio) regarding production of alcohol (ENA or RS) from grains. It is pertinent to mention here that Rajasthan¹⁹, Andhra Pradesh²⁰ and the neighbouring State Meghalaya²¹ has prescribed norms for production of alcohol from grains.

The absence of prescribed input–output norms for production of Extra Neutral Alcohol (ENA) or Rectified Spirit (RS) from grains represents a critical regulatory gap. Such norms are a fundamental control mechanism used by other States, including Rajasthan,

¹⁸ (i) M/s Brahmaputra Biochem Private Limited, Kamrup (ii) M/s Radiant Manufacturers Private Limited (Distillery Division), Karbi Anglong

¹⁹ Minimum recovery of Alcohol:40 Bulk litre Extra Neutral/Rectified Spirit (98% v/v) per quintal of grain having 62 to 64% starch Vide Rule 12 of Rajasthan Distilleries Rules, 1977

²⁰ The yield of ENA (96% v/v) per metric tonne grain which contains 64% starch shall not be less than 420 Bulk Litres vide sub rule (5) of Rule 24 of Andhra Pradesh Distillery (Manufacture of Spirits) Rules, 2006

²¹ 52.47 litres of 100% alcohol per quintal of grains as prescribed vide Commissioner of Excise, Meghalaya Order No. MEG/CE-122/2010/517 dated 19/12/2022.

Andhra Pradesh, and neighbouring Meghalaya, to verify production yields, prevent under-reporting, and ensure accurate tax assessment. Without these standards, manufacturers can understate production volumes, leading to potential large-scale revenue leakage for the State. The Department’s acceptance of this weakness and commitment to study other States’ models underscores the urgent need to establish clear, enforceable norms to strengthen excise administration and safeguard public revenue.

In the exit conference (February 2025) as well as in its subsequent reply (February/April 2025), the Department stated that decision would be taken to issue notifications in this matter after studying the rules/ norms framed by other States.

3.2.11.1.2 Under disclosure of production of alcohol from grains: The process of production of alcohol from grains involves conversion of starch present in grains into ‘glucose’ (one gram of starch produces 1.11 gram of glucose) and ‘glucose’ into ‘ethanol’. One molecule of ‘glucose’ produces two molecules of ‘ethanol’ and two molecules of ‘carbon-dioxide’. This chemical reaction is known as the ‘Gay-Lussac Equation’.

As per the Gay-Lussac Equation, yield of alcohol is derived based on molar mass of glucose, and 100 kg of glucose produces 51.14 kg of alcohol (Ethanol) and 48.86 kg of carbon-dioxide as detailed in *Appendix-XX*. Further, yield of alcohol depends on “Fermentation Efficiency (FE)” and “Distillation Efficiency (DE)” of the Technology used in distilleries and the quality of grains, presence of moisture content and temperature, etc.

Audit collected information regarding Fermentation and Distillation Technology used by the distillers²² and found that all the distillers were using Batch Fermentation Process and Multi Pressure Distillation Technology.

Audit collected information from the Assam Agricultural University, Jorhat on percentage of starch content in various types of grains and from the National Sugar Institute (NSI), Kanpur on FE and DE of different technologies used for fermentation and distillation. As per the information provided by NSI, Kanpur, FE and DE for various technologies were as shown in **Table 3.4:**

Table 3.4: Fermentation Efficiency and Distillation Efficiency (in percentage)

Types of raw materials	Fermentation Efficiency (FE)		Distillation Efficiency (DE)	
	Batch Fermentation	Feed Batch fermentation	Atmospheric Distillation	Multi Pressure Distillation
Grains	90-93	-	-	98.5-99
Molasses	88-90	90-93	98-98.5	98.5-99.5

Source: Provided by National Sugar Institute, Kanpur

Audit calculated the minimum yield of alcohol per MT of grains used by two distillers considering the efficiency range for fermentation and distillation technology employed by distillers and results are shown in **Table 3.5:**

²² (i) M/s Brahmaputra Biochem Private Limited, Kamrup (ii) M/s Radiant Manufacturers Private Limited (Distillery division), Karbi Anglong

Table 3.5: Expected yield of Alcohol

Name of Grains	Yield as per Government norms (BL/MT)	Starch content (%)	Calculated yield of alcohol per MT (in BL) ²³
Maize	No norms	72-73	458-482
Rice	No norms	80-90	509-595

Audit noticed that during 2018-19 to 2023-24, these distilleries reported production of 2,418.22 lakh BL of alcohol using 5.33 lakh MT grain (Rice and Maize), compared to the minimum production of 2,649.65 lakh BL worked out based on expected yield of alcohol as detailed in **Table 3.5**.

Unless the matter is pro-actively reviewed by the Department and statutory framework introduced in line with the good practices followed by some other States, there remains a substantial possibility of under-reporting and revenue leakage.

In the exit conference (February 2025) as well as in its subsequent reply (February/April 2025), the Department stated that necessary decision for prescribing norms for alcohol production from grains would be made after studying the relevant rules framed by other states.

Recommendation 1: The Department may consider prescribing norms of production of alcohol from grains by taking into consideration the starch content in these grains and technology employed by distillers for fermentation and distillation.

3.2.11.2 Control over manufacturing of Beer in Breweries and Microbreweries and revenue therefrom

There are three breweries²⁴ and five microbreweries²⁵ in Assam which manufacture beer from malt, broken rice, sugar, hops, etc.

²³ Calculation of Alcohol yield

Sl. No.	Particulars	Rice (1000 KG)		Maize (1000 KG)	
		Min.	Max.	Mini.	Max.
1.	Starch content (<i>per cent</i>)	80	90	72	73
2.	Starch quantity (KG)	800	900	720	730
3.	Glucose yield (KG) (Row 2 x 1.11)	888	999	799	810
4.	Ethanol yield as per Gay-Lussac Equation from glucose (KG) (Row 3 x 0.51)	452.88	509.49	407.49	413
5.	Alcohol produced after Batch Fermentation (KG) (Row 4 x 90%)	407.59	473.83	366.74	384.09
6.	Alcohol produced after Multi Pressure Distillation (KG) (Row 5 x 98.50%)	401.48	469.09	361.24	380.25
7.	Quantity of alcohol (in BL) (Row 6 ÷ 0.789)	508.85	594.54	457.85	481.94

²⁴ (i) M/s Master (India) Brewing Company, Kamrup (R) (ii) M/s Rhino Agencies Limited, Kamrup (R) (iii) M/s Sunit Breweries Private Limited, Sonitpur

²⁵ (i) M/s Abacus Microbrewery (Hotel Paramount Palacio), Kamrup Metro (ii) M/s Nuts & Brew Microbrewery (A unit of BSM Restaurants), Kamrup Metro (iii) M/s Terra Mayaa, Kamrup Metro (iv) M/s Freemason (under New East Projects Private Limited, Kamrup Metro (v) M/s Root Barrel (under Canis Major Group), Kamrup Metro

The process of preparation/ manufacture of beer is similar to that of ENA/RS. However, ENA production requires fermentation and distillation while production of beer requires only fermentation.

3.2.11.2.1 Absence of norms for production of beer from malt, rice flakes, sugar, hops, etc. at breweries: The Government did not prescribe the norms or standard (*i.e.* input-output ratio) regarding production of beer from broken rice, malt, sugar, hops, etc. Other State like Rajasthan²⁶ prescribed the norms for maintaining minimum yield of Beer from Malt or other raw materials.

Para 677 (17) of the Manual of Excise & Salt Department, 1918²⁷ prescribes the norms²⁸ for raw material as 15.42 kg of Malt or 14.52 kg of rice flakes or 12.70 kg of sugar for production of 81.823 BL of wort²⁹. Breweries are using ‘batch fermentation’, whose minimum efficiency is 90 (ninety) *per cent* for grains as per the information provided by NSI, Kanpur.

Audit observed from relevant records that these breweries had consumed 246.71 lakh kg of malt, 128.36 lakh kg of rice flakes and 36.30 lakh kg of sugar and produced 1809.00 lakh BL of beer during the period from 2018-19 to 2023-24. However, as per the norms prescribed in the Manual of Excise & Salt Department, 1918, the minimum yield of beer (using the above-mentioned quantities of ingredients) should have been 2,039.71 lakh BL, indicating potential under-reporting and risk of excise duty loss. This highlights a critical regulatory gap that requires urgent attention through introduction of a clear, enforceable production standards.

In the exit conference (February 2025) followed by the formal reply (February/April 2025), the Department stated that necessary decision in this regard would be taken after studying the relevant rules framed by other states and also stated that such issue would be addressed through suitable notifications to be issued shortly.

Recommendation 2: The Department may consider prescribing norms for production of beer from grains as per the Manual of Excise & Salt Department, 1918.

3.2.11.2.2 Manufacturing of draught beer beyond specified strength by the Microbreweries: Rule 498 (f) of the Assam Excise Rules, 2016 defines that “Microbrewery” means a small brewery situated in the premises of IMFL retail ‘ON’ hotel, irrespective of its star status, or IMFL ‘ON’ restaurants, where Draught Beer is

²⁶ Beer yield efficiency: Minimum yield of 650 litres of mild beer or 490 litres of strong beer for every 100 kilograms of Malt and other raw materials used vide Rule 34A of Rajasthan Brewery Rules, 1972.

²⁷ Apparently, we are using it as there is no norms prescribed by the GoA

²⁸ 1 bushel of malt, 32 pound of rice flakes and 28 pound of sugar would produce 18 gallons of wort
Conversion:

1 bushel= 34 pound = 15.42 kg; 32 pound = 14.52 kg; 28 pound = 12.70 kg; 18 gallons = 81.823 BL
Therefore, 15.42 kg of Malt or 14.52 kg of Rice flakes or 12.70 kg of Sugar would produce 81.823 BL of wort

²⁹ Wort is a sweet liquid that is extracted from crushed malt or grain meal during the brewing of Beer.

manufactured and served to their customers for consumption within the premises with an installed capacity of not more than one thousand litres per day.

As per Rule 498 (c), “Draught Beer” means fresh beer contained in a keg³⁰ not more than 5 per cent volume by volume (v/v) alcoholic content. Further, as per Rule 19 (a) (I), the Ad-valorem levy on draught beer shall be charged on basis of its daily installed capacity @ ₹50 per BL, which was reduced to @ ₹32 per BL³¹ (w. e. f. 12/02/2021).

In respect of 25 types/ flavour of beer (out of 40 types/ flavour) produced by the five Microbreweries, in one of the batches produced, the alcoholic content was more than 5% (v/v) as per the Chemical Examiner Report and as per the information furnished by the concerned Microbrewery. Details are mentioned in *Appendix-XXI*.

Audit concludes that production and sale of draught beer exceeding the 5% v/v legal limit by microbreweries in Assam represents clear violation of Rule 498 (c) of Assam Excise Rules, 2016. Despite chemical evidence confirming this non-compliance, the Department did not enforce rules effectively, citing absence of enabling provisions, which undermined regulatory credibility and allowed unapproved higher-strength beer to be sold.

In the exit conference (February 2025), the Commissioner & Secretary, Excise Department instructed the Departmental officers to take necessary action against those microbreweries, which served draught beer with alcohol content beyond 5%, as per law.

Recommendation 3: The Excise Department may urgently amend its rules to include clear, enforceable penalties for microbreweries producing draught beer beyond the 5% v/v limit and establish routine testing and monitoring protocols to ensure compliance with legal strength requirements.

3.2.11.3 Manufacturing of India Made Foreign Liquor and Country Spirit in Bottling Plants

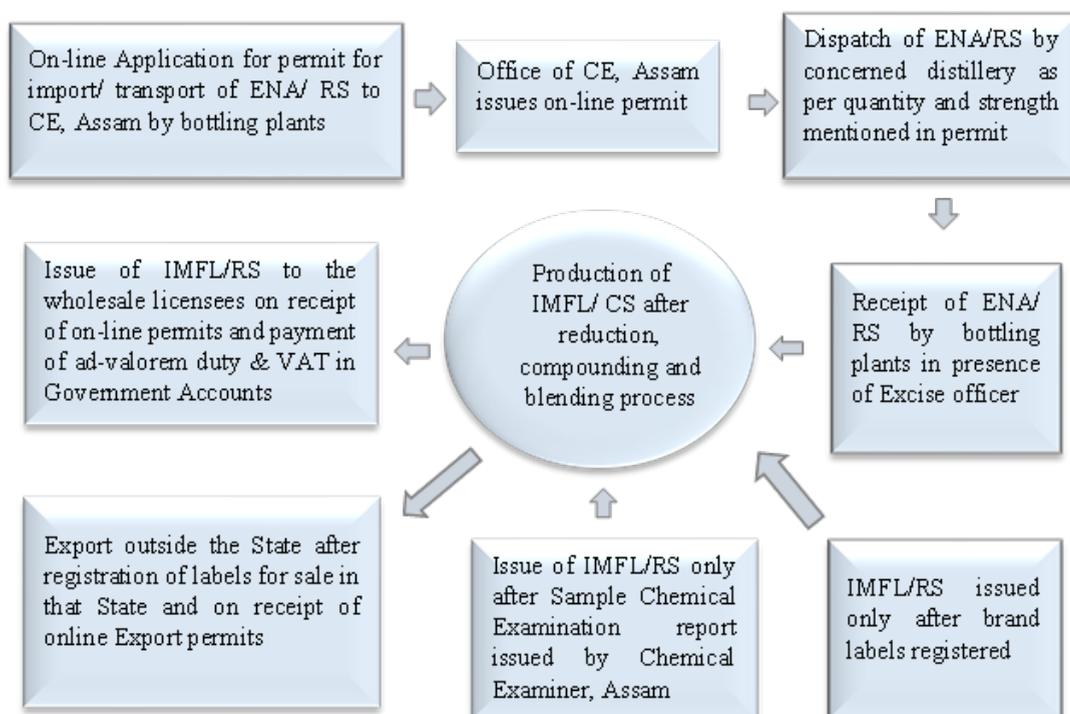
There are 13 India Made Foreign Liquor (IMFL) bottling plants and six Country Spirit (CS) bottling plants in Assam. Of them, records in respect of 12 IMFL bottling plants and all six CS bottling plant falling under the jurisdiction of sample districts, were test-checked during Performance Audit.

The following block diagram displays the workflow as regards the intake of ENA/RS in the bottling plants and production of IMFL/CS:

³⁰ Round metal or wooden container, used especially for storing beer

³¹ Vide Notification No. Ex.250/2019/pt/7 dated 12/02/2021.

Block diagram 3: Workflow of the intake of ENA/RS in the bottling plants and production of IMFL/CS



3.2.11.4 Quality Control Mechanism with respect to manufacture of alcoholic products

Manufacture and sale of alcoholic products involve important economic, social, and cultural dimensions. The aspect of quality control of liquor is crucial from the viewpoints of health and socio-economic consequences. Hence, checking of quality of alcoholic products is required to be carried out strictly and on regular basis.

Rules 517 and 579 of the Assam Excise Rules, 2016 provide that samples of raw materials and finished products are to be analysed or checked by the Chemical Examiner, Assam. Another step for quality check is affixation of Hologram on liquor bottles to avoid circulation of unscrupulous liquor under Rule 580 of the Assam Excise Rules, 2016.

3.2.11.4.1 Quality of materials used for manufacture of spirit and beer not checked

Rule 517 of the Assam Excise Rules, 2016 prescribes that samples of materials used in the distillery for the manufacture of spirits shall be sent to the Chemical Examiner for analysis before use or issue from the distillery.

Further, Rule 579 of the Assam Excise Rules, 2016 prescribes that the licensee of a brewery shall arrange to check the quality of raw materials used and the beer produced in the brewery by the Chemical Examiner, Excise, Assam.

However, none of the distillery and brewery had sent sample of materials used for the manufacture of spirits and beer to the Chemical Examiner for analysis before use. Thus, the quality of materials used for the manufacture of spirit and beer was not ensured by the Authority.

The Excise officials posted at those distilleries and breweries also did not ensure compliance to the said rule provision.

The Department stated (February/April 2025) that samples of alcoholic products were sent to the Chemical Examiner for testing prior to issue from the Distillery in conformity with Rule 517 of the AE Rules, 2016.

The reply did not address the critical lapse of raw material quality control. This oversight compromises product safety standards and regulatory integrity, highlighting the need for strict enforcement of raw material testing requirements to ensure quality, consumer safety, and adherence to the law.

3.2.11.4.2 Regulation of Adhesive Hologram

As per Rule 580 of the Assam Excise Rules, 2016 (notified in August 2016 and effective from 01 September 2016), “Hologram” means Holographic Excise Adhesive Label (HEAL), which is a product of laser optics and is used on liquor bottles to indicate genuineness of the product.

(a) Delay in supply of Hologram beyond 72 hours: Rule 582 of the Assam Excise Rules, 2016 stipulates the system of procurement of Holograms from the manufacturer. The licensee of a Foreign Liquor manufactory, Brewery, Country Spirit manufactory, Heritage Alcoholic Beverages manufactory and Wholesale warehouses, in case of Import, shall make advance payment (in form of Demand Draft in favour of the hologram manufacturer) for the procurement of hologram to the Commissioner of Excise, Assam. On approval of the requisition/indent, a pass will be issued authorising the supply of holograms to the concerned manufactory. The manufacturer shall arrange to dispatch the holograms within 72 hours of receiving such intimation from the Excise Commissioner.

During February 2022 to March 2023, a total of 564 indents were received from licensees through the Commissioner of Excise, Assam for supply of 74,82,30,000 numbers of Holograms and the same were also supplied to the concerned manufacturers/ wholesale warehouses.

Audit noticed that out of 564 indents, 45,60,00,000 numbers of Holograms against 219 indents (39 *per cent*) were supplied after delays ranging from 1 to 24 days (average: 3 days) beyond the stipulated period of 72 hours, which contravened the rules, *ibid*. Details are mentioned in *Appendix-XXII*.

The Department stated (February/April 2025) that Hologram supplier had been directed to furnish clarification in this regard. Further information in this regard was awaited (August 2025).

(b) Confirmation for receipt of Holograms not submitted: On receipt of the Holograms, the Excise Officer-in-charge of Foreign Liquor manufactory, Brewery and Country Spirit manufactory shall confirm the receipt through a verification certificate. This mechanism aimed to have assurance that the dispatched quantities of holograms have reached the bona-fide users and not any unscrupulous third party.

During February 2022 to March 2023, a total of 74,82,30,000 Holograms against 564 indents were supplied to the concerned manufacturers/wholesale warehouses. However, neither did the Officer-in-charge of Foreign Liquor manufactory, Brewery and Country Spirit manufactory submit the confirmation of receipt of holograms (through a verification certificate) nor did the Commissioner of Excise, Assam ask for confirmation certificates.

Audit concludes that the Excise Department did not enforce Rule 582 of the Assam Excise Rules, 2016, by not obtaining mandatory verification certificates confirming receipt of 74.82 crore holograms supplied between February 2022 and March 2023. This critical control lapse created a significant risk of diversion of holograms, if any, to unauthorised or illicit liquor manufacturers, remaining undetected, undermining excise duty safeguards and enabling potential counterfeit production. The Department's claim of confirmation in the AERMS portal is not supported by the provided data, which showed blank confirmation fields. This reflects serious weaknesses in monitoring, documentation, and enforcement of excise controls essential for revenue protection and public safety.

The Government of Assam did not put in place in its Acts/ Rules, any norms of input-output ratio i.e. quantity ratio of raw materials used and finished products generated to exercise any control on production of ENA/ RS/ beers in distilleries/ breweries leaving scope of under-reporting of production by manufactories and evasion of taxes. Audit's calculation showed substantial possibilities of such under disclosure.

The existing rules are silent on the rate of ad-valorem duty for manufacture of draught beer beyond specified strength of alcohol by the microbreweries.

3.2.12 Monitoring on functioning of Manufactories and Enforcement Rules on collection of revenue therefrom

Audit Objective 2: To assess whether enforcement and monitoring mechanisms were effective to detect offence cases and prevent leakage of revenue

3.2.12.1 Payment of Security Deposit (SD)

3.2.12.1.1 Short Deposit of Security Money by the Distillery: Rule 500 (c) of the Assam Excise Rules, 2016 provides that the amount of Security to be furnished by the Distillery for the due performance of the conditions on which the licence is granted and the amount of security deposit may be fixed at fifty *per cent* of the distillery licence fee or more according to the volume of business.

Audit observed that out of two distilleries, one distillery³² had paid only ₹5.00 lakh as security deposit against the minimum payable amount of ₹25 lakh (*i.e.*, half the amount

³² M/s Radiant Manufactures Private Limited (Distillery Division), Karbi Anglong

of licence fee of ₹50.00 lakh). However, the other distillery³³ had paid ₹25.00 lakh as security deposit (*i.e.*, half the amount of licence fee). The Department did not initiate action for collection of remaining Security money in respect of the short paying distillery.

This lapse in ensuring full security deposit collection weakens financial safeguards meant to secure compliance with licence conditions and exposes the State to avoidable revenue risk.

3.2.12.1.2 Security money not deposited by the Breweries: Rule 553 of Assam Excise Rule, 2016 provides that security to be furnished by Brewery for due performance of the conditions on which a licence is granted and the amount of security deposit may be fixed at fifty *per cent* of the Brewery licence fee or more according to the volume of Business.

Audit noticed that total security money of ₹34.00 lakh (being 50 *per cent* of brewery licence fee) was not deposited by the two Breweries³⁴ though Brewery licence fee of ₹68.00 lakh was paid. The Department did not initiate action for collection of Security money.

This lapse weakened financial safeguards designed to ensure compliance with licence conditions and protect the Government's revenue interests. The Department's commitment to recover the short-paid security deposits underscores the need for stricter enforcement and monitoring.

As regards short-collection of SD from Distilleries and Breweries, the Department stated (February/April 2025) that though SD may not be considered as a Government Revenue, it would collect the short-paid SD amounts to protect revenue interest of the Government.

3.2.12.1.3 Security deposit for bonded warehouse not deposited by the bottling plants: Rules 48, 49 and 50 of Assam Excise Rules, 2016 stipulate that for Foreign Liquor Manufactory, licence for compounding, blending, reduction and bottling are required to be obtained. In addition to that, a Bonded Warehouse Licence for the storage of foreign liquor is also required to be taken from the competent authority.

Further, Rules 458 & 459 prescribe that before the licence to work, a Bonded Warehouse licence is granted by the Excise Commissioner. For this purpose, the applicant is required to pay licence fee as prescribed in Rule 19 (III). The amount of security to be furnished by the licensee for due performance of the conditions on which a licence may be granted to him may be fixed at fifty *per cent* of the Bonded warehouse licence fee or more according to the volume of business.

³³ M/s Brahamputra Biochem Private Limited, Kamrup

³⁴ M/s Master India Brewing Company, Kamrup (R); M/s Rhino Agencies Limited, Kamrup (R)

Audit observed that out of the test checked bottling plants, five plants did not deposit any Security money against payable sum of ₹22.25 lakh; whereas, one deposited only ₹0.05 lakh against payable amount of ₹5.00 lakh. Details are mentioned in **Table 3.6:**

Table 3.6: Non/short deposit of Security money by the bottling plants

(₹ in lakh)					
Sl. No.	Name of the Manufactory	Bonded Warehouse licence Fee paid	Security Money payable	Security Money deposited	Non/short deposit of Security money
1.	M/s North-East Distillery Private Limited, Kamrup	10.00	5.00	0	5.00
2.	M/s Aroma India Private Limited, Kamrup	10.00	5.00	0	5.00
3.	M/s Saaran Industries, Kamrup	10.00	5.00	0	5.00
4.	M/s Spey Bottlers Private Limited, Kamrup	10.00	5.00	0.05	4.95
5.	M/s Radiant Manufacturers Private Limited (Bottling Division), Karbi Anglong	10.00	5.00	0	5.00
6.	M/s Associated Alcohol & Beverage Company, Jorhat	4.50	2.25	0	2.25
Total		54.50	27.25	0.05	27.20

The Commissionerate did not initiate any action against the above-mentioned bottling plants for recovery of security money. This serious lapse in enforcing security deposit requirements weakens financial safeguards meant to ensure licence compliance and protect Government revenue. The Department's belated instruction to recover these amounts underscores the need for improved oversight and enforcement of licensing conditions.

During the exit conference (February 2025) followed by formal reply (February/April 2025), the Department stated that the concerned SEs have been asked to direct the defaulting bottling units to deposit the security deposit.

3.2.12.2 Payment of Establishment Charges

As per Rule 65 of Assam Excise Rules, 2016, the Department deposes the required officer-in-charge and other staff at the manufactory or warehouse or distillery or brewery, *etc.* for supervision of works. The licensee is required to pay to the Government at the end of each calendar month an Establishment Charge for making the services of excise official available at the rate as may be fixed by the Government from time to time. The cost of establishment includes pay and allowances as well as leave salary and pension contribution.

There is no provision regarding levy of interest on delayed payment of Establishment Charges by the Manufactory.

However, Rule 342 (b) stipulates that if any licence holder fails to pay any duty, fee or any other levy due to Government, for which he has received due notice from the Excise Commissioner, he shall be liable to pay a penalty which may extend to three hundred *per cent* of the duty, fee, or other levies due from him.

3.2.12.2.1 Non-payment of Establishment Charges: Audit observed that the following bottling plants of IMFL did not pay Establishment Charges amounting to ₹90.50 lakh for the different months as mentioned in **Table 3.7:**

Table 3.7: Details of Non-payment of Establishment Charge

Sl. No.	Name of the Manufactory	Month & Year	Establishment Charge payable (in ₹)
1.	M/s North-East Distillery Private Limited, Kamrup Metro	May 2021	1,26,191
		March 2022	1,33,665
2.	M/s Surma Distillery Private Limited, Cachar	July 2019	1,91,072
		March 2021 to October 2022	40,23,369
		October 2023 to March 2024	10,58,061
3.	M/s Associated Alcohol & Beverage Company, Jorhat	April 2020	1,44,414
		June 2020	1,44,414
		March 2024	1,18,698
4.	M/s Brahmaputra Biochem Private Limited (Distillery), Kamrup	June 2023	55,160
5.	M/s Brahmaputra Biochem Bottling Private Limited, Kamrup	February 2022 to March 2024	30,54,964
Total			90,50,008

However, the concerned Superintendent of Excise did not take any action for realisation of Establishment Charges, which indicates that the proper monitoring was not being done.

During the exit conference (February 2025), the Commissioner & Secretary, Excise Department stated that the matter would be reviewed and demands raised against such defaulters; also, notifications encompassing levy of interest/penalty would be made. The Commissioner also stated that all the field functionaries would be instructed to check this aspect.

3.2.12.2.2 Non-levy of Interest/Penalty for delay in payment of Establishment Charge by the Manufactories: Audit noticed that eleven IMFL manufactories paid Establishment Charges amounting to ₹10.09 crore during 2018-24 with delays ranging from five days to 969 days considering the due date of payment of 1st day of succeeding month. Details are in **Appendix-XXIII**. The Department did not levy penalty for such delayed payment of Establishment Charges by the Manufactories.

Non-inclusion of provision for levy of interest on delayed payment of Establishment Charges resulted in undue benefit to the manufactories.

In the exit conference (February 2025) followed by formal response (February/April 2025), it was stated that the Department would look into the aspect of levying interest for the delays in payment of establishment charges.

Recommendation 4: The Department may consider the inclusion of a provision for a levy of interest on delayed payment of Establishment Charges and penalty provision for non-payment of Establishment Charges.

3.2.12.3 Functioning of wholesale licensees

“Wholesale Warehouse” means the premises, or any part of the premises approved and licensed for deposit or storage of spirits on which duty/ levy has been paid and from where India Made Foreign Liquor (IMFL) /Country Spirit (CS) may be supplied to the retailers.

Rule 114 (i) of the Assam Excise Rules, 2016 provides that licences for wholesale vend of foreign liquor shall be granted by the Excise Commissioner with the previous sanction of the State Government on payment of annual licence fees as may be prescribed by the State Government from time to time. Further, Rule 128 stipulates that licence shall be renewed annually by the Excise Commissioner, if there is nothing in contrary.

A holder of Wholesale Licence shall pay in advance, an annual Licence Fee at the rate of ₹5.00 lakh (as mentioned in Table) attached to Rule 19 (a) (III). The annual license fee was revised to ₹7.00 lakh vide Notification No. EX.176/2016/pt/268 dated 06 June 2022 which was further revised to ₹9.00 lakh³⁵ w. e. f. 01/04/2024.

Further, as per Rule 130, if the wholesale licensee fails to deposit the licence renewal fee on or before the last day of March, the licence shall cease to be effective from the first day of April to the date of endorsement of renewal. For such renewal, the defaulter has to pay 50 per cent of the licence fee as penalty.

Rule 138 of the Assam Excise Rules, 2016 provides that Licences for the wholesale and retail sale of foreign liquor shall commence from the first April or any other date as may be specified in the Licence. Licence fees for all excise licences shall be payable from the date of initial sanction.

3.2.12.3.1 Non-payment of licence fee by the wholesale licensee: Scrutiny of records showed that the Government of Assam had accorded sanction (October 2022)³⁶ for licence of IMFL Wholesale Warehouse in favour of M/s Bhaskar Das (B. D.) Wholesale Warehouse, Nalbari³⁷ subject to renewal under Rule 128 of the Assam Excise Rules, 2016 on a year-to-year basis. Accordingly, the licensee paid (December 2022) licence fee of ₹7.00 lakh³⁸ for the year 2022-23 and the Additional Commissioner of Excise, Assam issued (on 30/01/2023) licence to him.

The Licensee did not deposit renewal licence fee amounting to ₹7.00 lakh for the year 2023-24, however, the Licensee paid revised³⁹ licence fee ₹9.00 lakh for the year 2024-25.

Though, the Licensee did not renew the annual licence for the year 2023-24, the Department had issued import permits to the Licensee for lifting IMFL, Beer, etc. from different manufacturers during the same period and also, issued transport passes to the

³⁵ Vide Notification No. 453296/69 dated 29 February 2024

³⁶ Vide Order No. EX-11013/16/2022-ESTT-EXCISE dated 29/10/2022

³⁷ Owner: Shri Bhaskar Das

³⁸ Treasury Challan No. 12/2323 dated 28/12/2022

³⁹ vide GoA Notification No. 453296/69 dated 29/02/2024 effective from 01/04/2024

different retailers for lifting IMFL, Beer, *etc.* from M/s B. D. Wholesale Warehouse, Nalbari.

Thus, there is lack of proper compliance of *ibid* rules by the Commissionerate as the import permits or transport passes were issued to the Wholesale Licensee without renewal of the annual licence.

The Department informed (February/April 2025) that the concerned SE had been directed to instruct the Licensee to deposit the renewal fee for the year 2023-24 along with the necessary penalty as applicable.

3.2.12.3.2 Non-payment of proportionate Licence Fee by the Wholesale Licensees:

Audit noticed that all IMFL Wholesale Licensees (44 Nos. test checked) of selected districts paid licence fee at the rate of ₹5.00 lakh for the year 2022-23 and on revision of annual Wholesale licence fee (₹7.00 lakh⁴⁰ in June 2022), also paid proportionate licence fee of ₹1,63,288⁴¹ except for five Licensees⁴² of Tinsukia District and one licensee⁴³ of Morigaon District.

The Superintendent of Excise concerned did not issue any notice to these six licensees regarding payment of proportionate licence fee of ₹9.80 lakh.

However, the Department continued to issue import permits or transport passes to these Wholesale Licensees without payment of entire annual licence fee.

On this being pointed out, the Department referred to a letter (No. EX 178/2015/4 dated 03/10/2015) of Joint Secretary to Government of Assam, Excise Department, wherein it was stated that those licences which had already been granted prior to 13/08/2015, the revised rate cannot be insisted, revised rate would be attracted for those renewal proposals, which were pending for the current year *i.e.*, 2015-16.

The reply was not acceptable as the Assam Excise Rules, 2016 came into existence from September 2016 followed by the Additional Commissioner of Excise, Order No. III-177/2015-2016/ 47 dated 22/06/2022 which directed all SEs to realise differential amount of ₹1,63,288 from wholesale licensees arising due to revision of IMFL wholesale annual licence fee from ₹5.00 lakh to ₹7.00 lakh vide notification No. EX.176/2016/pt/268 dated 07/06/2022.

⁴⁰ vide Notification No. EX.176/2016/Pt/268 dated 07/06/2022

⁴¹ Vide Additional Commissioner of Excise's Order No. III-177/2015-2016/47 dated 22/06/2022

⁴² (i) M/s Mohit Enterprise, Tinsukia (ii) M/s Shubalaxhi Wholesale Warehouse, Tinsukia (iii) M/s R. K. Enterprise Wholesale Warehouse, Tinsukia (iv) M/s Hotel Ballerina Private Limited, Tinsukia (v) Eastern Wines Private Limited, Tinsukia

⁴³ M/s Sujata Bonded (Wholesale) Warehouse, Morigaon

Audit found serious lapses in the Excise Department's enforcement and monitoring of licensing conditions in Assam. Security deposits were short-paid or not paid by distilleries, breweries, and bonded warehouses, but no prompt recovery action was taken. Establishment charges were delayed or unpaid without imposition of penalties or interest, and wholesale licence holders were allowed to operate without renewing licences or paying revised fees. The Department also continued to issue import permits and transport passes to defaulters. These widespread compliance lapses reveal systemic weaknesses in revenue protection, oversight, and enforcement, undermining both legal requirements and the State's excise revenue.

3.2.13 Transportation and sale of alcoholic products

Audit Objective 3: Whether Transportation and Sale of alcoholic products are regulated and controlled effectively to fulfil the objectives laid down in the Act

3.2.13.1 Sale of alcoholic products by the Retailers

Rule 114 of the Assam Excise Rules, 2016 provides that licence for retail sale of foreign liquor 'OFF' or 'ON' the premises shall be granted by the District Commissioner with the previous sanction of the State Government on payment of the annual licence fee as may be prescribed by the State Government from time to time. Further, licence for the retail sale of foreign liquor "OFF" the premises shall be granted for a period of three consecutive years provided that the District Collector in respect of retail sale of foreign liquor "OFF" the premises shall renew such licences for another term of one year, if there is nothing adverse against the licensee.

Retail 'ON' licence means licences for sell and serve foreign liquor in Hotel, Bar, Restaurant, Club, Guest House, Railway refreshment room, Steamer, Dining Car, Kitchen Car, Dak bungalow, etc.

3.2.13.2 Composite Licence for the Retailers

Rule 117 (a) (I) of the Assam Excise Rules, 2016 which came into effect on 09/05/2020, provides for grant of Composite Licence(s) for Hotel-cum-Restaurant-cum-Bar by the State Government for consumption of liquor on the premises of (i) 3-Star, (ii) 4-Star and (iii) 5-Star and above category of Hotels.

Further, Explanation (iii) under Rule 117 (a) provides that the existing holders⁴⁴ of licence for retail sale of foreign liquor for consumption 'ON' the premises, shall apply afresh for obtaining the Composite licence(s). The Collector shall grant the Composite licence(s) in lieu of existing licence(s) for the consumption 'ON' the premises with the previous sanction of State Government and on payment of the prescribed licence fee in force in this regard.

⁴⁴ i.e. premises of Hotel and / or Restaurant and / or Bar in respect of 3-star, 4-star and 5-star and above category of Hotels

The Composite licence fee for Hotel-cum-Restaurant as prescribed under Rule 19(a) III (effective from 09/05/2020) are mentioned in **Table 3.8:**

Table 3.8: Rates of composite licence fee for Hotel-cum-Restaurant-cum-Bar

Sl. No. of Table of Rule 19(a) III	Kind of licence	Rate of licence fee (per annum)
24	(a) Composite licence for Hotel-cum-Restaurant-cum-Bar for consumption "ON" the premises of 3-star category of Hotels having up to 50 rooms	8,00,000
	(b) Composite licence for Hotel-cum-Restaurant-cum-Bar for consumption "ON" the premises of 3-star category of Hotels having more than 50 rooms	9,00,000
	(c) Composite licence for Hotel-cum-Restaurant-cum-Bar for consumption "ON" the premises of 4-star category of Hotels having up to 50 rooms	10,00,000
	(d) Composite licence for Hotel-cum-Restaurant-cum-Bar for consumption "ON" the premises of 4-star category of Hotels having more than 50 rooms	12,00,000
25	(a) Composite licence for Hotel-cum-Restaurant-cum-Bar for consumption "ON" the premises of 5 star and above category of Hotels having up to 100 rooms	18,00,000
	(b) Composite licence for Hotel-cum-Restaurant-cum-Bar for consumption "ON" the premises of 5 star and above category of Hotels having more than 100 rooms	20,00,000

Audit scrutiny revealed the following instances of non-compliance and deviations from the above provisions:

3.2.13.2.1 Non obtaining of Composite licence: Audit test checked records of licence details and renewal thereof in respect of 23 existing holders of licence for retail sale of foreign liquor for consumption 'ON' the premises of Hotel and/ or Restaurant and/ or Bar and it was observed that 13 existing holders of licence for retail sale of foreign liquor for consumption 'ON' the premises, did not apply afresh for obtaining the Composite licence(s) for Hotel-cum-Restaurant-cum-Bar in lieu of existing licence(s) for the consumption 'ON' the premises. Further, at the end of the year, the Department renewed the licenses at existing rates in the contravention of Rule 117 (a) of the Assam Excise Rules, 2016.

Audit concludes that the Excise Department did not enforce Rule 117(a) of the Assam Excise Rules, 2016, by renewing licences for 13 hotels and restaurants at outdated rates without requiring them to obtain the mandatory Composite Licence. This non-adherence resulted in loss of government revenue amounting to ₹2.94 crore. The lapse reflects weak internal controls and poor regulatory enforcement, underscoring the need for strict adherence to licence rules to safeguard public revenue. Details are mentioned in *Appendix-XXIV*.

3.2.13.2.2 Delay in obtaining of Composite licence(s): Audit noticed that one existing Licence holder⁴⁵ had obtained Composite Licences with a delay of 1032 days (delay calculated from June 2020 to date of issue of licence), which led to loss of Government

⁴⁵ Radisson Blue Hotel; NH 37, Gotanagar, Guwahati

revenue amounting to ₹8.50 lakh towards difference between old licence fee and the new Composite Licence Fee.

3.2.13.3 Appointment of persons without approval of the Competent Authority

Rule 522 of the Assam Excise Rules, 2016 provides that the appointment of all persons by the distiller shall be subject to the approval of the Collector.

Also, Rule 302 stipulates that no licensee for the retail vend of any intoxicant, shall allow any person to conduct sale in his licensed premises unless the names of such persons have been previously submitted to the Collector or the Sub-divisional Officer or the Superintendent of Excise for approval and endorsed by him on the licence.

None of the Licensees has taken approval from the Competent Authority before appointment of persons in the premises of the licensees.

In reply, the Department stated (February/April 2025) that necessary instructions in this regard are being issued to the concerned District Collectors.

Audit found that the Excise Department in Assam did not enforce key regulatory provisions meant to control and regulate the sale of alcoholic products. Many hotels and restaurants continued to operate with outdated retail 'ON' licences without obtaining mandatory Composite Licences, causing a revenue loss of ₹2.94 crore, while other delayed compliance by years, further reducing revenue. Additionally, licensees routinely appointed staff without obtaining required approvals from the competent authority, violating established rules. These systemic lapses highlight weak internal controls, poor monitoring, and ineffective enforcement that undermine regulatory objectives and result in significant loss of government revenue.

3.2.14 Conclusion

Assam State Legislature had enacted the State Excise Act, 2000 under which the Excise Department has codified Rules to administer and levy duties and taxes on alcoholic products which involves important economic, social and cultural dimensions. The Performance Audit aimed to assess whether the regulation and control over manufacture and sale of alcoholic products in the State of Assam, are adequate and effective. Further, Audit also checked if the assessment and collection of Excise Revenue, being an important source of revenue of the State Government, conformed to the existing rule provisions and also if there is any scope for further tightening up the existing rules to tap further potential in Excise revenue.

The Performance Audit showed that there is further scope for enhancement in Excise Revenue by addressing some existing deficiencies in the rules as well as by enforcing a number of control provisions existing in rules but remaining neglected as of now.

The Government of Assam did not put in place in its Rules, any norms of input-output ratio *i.e.* quantitative ratio of raw materials used and finished products generated to

exercise control on production of ENA/ RS/ beers in distilleries/ breweries. This has left scope of under-reporting of production by manufactories and evasion of taxes.

The existing rules are silent on the rate of ad-valorem duty for manufacture of draught beer beyond specified alcoholic strength by the microbreweries.

Stricter control is called for on affixing of hologram on liquor bottles, handling of holograms, etc.

There was a number of instances of short realisation of security deposits from the Distilleries/ bonded warehouses/ bottling plants, representing leniency to the defaulters. Similar laxity was also evident in levying Interest/Penalty for delay in payment of Establishment Charge by the Manufactories/ Canteen Store Depot, etc.

The Department was also lax in sending notices to the defaulting manufacturers/ traders for recovering the Excise duty, fee as well as for collecting Establishment Charges against posting of Excise staff at Distilleries, Breweries, etc. Such non-issuance of notice assumed significance as serving of notice was the pre-condition for imposing penalty.

The Commissionerate kept issuing import permits or transport passes to the Wholesale Licensee defaulting in renewal of the annual licence and payment of fee.

3.2.15 Recommendations

The Government may consider implementing the following recommendations for effective and proper regulation and control over manufacture and sale of alcoholic products in Assam, which will improve the excise revenue of the State:

- *Prescribing norms of production of ENA/RS from grains by taking into account the starch content in these grains and technology employed by distillers for fermentation and distillation.*
- *Prescribing norms for production of beer from grains as per the Manual of Excise & Salt Department, 1918.*
- *Prescribing provision in Assam Excise Rules regarding rate of ad-valorem for manufacture of draught beer beyond specified strength by the microbreweries.*
- *Inclusion of a provision for a levy of interest on delayed payment of Establishment Charges and penalty provision for non-payment of Establishment Charges.*