

## CHAPTER - III

### STATE EXCISE

#### 3.1 Results of Audit

Test check of records of the State Excise offices, conducted in audit during the year 2002-2003 revealed non-realisation transport pass fee, short/non-realisation of excise duty etc. amounting to Rs.3.40 crore in 40 cases under the following categories :

(Rupees in crore)

Sl. No.	Particulars	No. of cases	Amount
1	Short/non-realisation of excise duty	7	1.58
2	Excess allowance of godown loss	1	0.02
3	Non-realisation of excise duty due to warehouse going dry	4	0.26
4	Non-realisation of annual licence fee	9	0.40
5	Non-realisation of transport pass fee	2	0.70
6	Other lapses	17	0.44
<b>Total :</b>		<b>40</b>	<b>3.40</b>

During the year 2002-2003, the Department accepted the observations of audit in 14 cases involving Rs.0.17 crore relating to the years prior to 2002-2003 and the entire amount was recovered. A few illustrative cases highlighting important audit observations involving Rs.1.37 crore are mentioned in the following paragraphs :

#### 3.2 Non-realisation of transport pass fee

As per Assam Bonded Warehouse Rules, 1965, as amended in May 1998, the retail and wholesale licence holders of foreign liquor shall obtain transport pass from the collector on pre-payment of duty in advance at prescribed rate for transport of India Made Foreign Liquor (IMFL) manufactured in Assam.

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Test check of records of the Superintendent of Excise, Guwahati and Jorhat revealed that bonded warehouses, retailers and wholesale licence holders were allowed between July 2001 and November 2002 to transport 2.33 lakh cases of IMFL from the manufacturing units without payment of transport pass fee. The action of the Department in issuing transport pass without pre-payment of fee resulted in non-realisation of fee of Rs.69.78 lakh.

The matter was reported to the Government and the Department between December 2002 and March 2003; their replies have not been received (November 2003).

### **3.3 Loss of revenue due to departmental lapse**

The Assam Bonded Warehouse Rules, 1965 stipulates an allowance of 1.5 per cent to be made available to the licensee for wastage etc. It also provides that wastage in excess of 1.5 per cent may also be allowed in the case of accident or other unavoidable reasons subject to proof and satisfaction of the Excise Commissioner or any delegated officer.

Test check of records of the Superintendent of Excise, North Lakhimpur revealed that the Vigilance Department (Government of Assam) conducted in September 1999 an enquiry on the stock of M/s R.N. Bonded Warehouse, North Lakhimpur and found short 11 cases and 8 bottles of IMFL and 12 cases and 9 bottles of Beer against the stock of 7,167 cases of IMFL and 1,544 cases of Beer as on 30 August 1999. The Commissioner of Excise, Assam, on the basis of the report of the Vigilance Department suspended the operation of the bonded warehouse in September 1999 without conducting any departmental enquiry though the shortage was within the permissible limit as admissible for wastage. The licensee, being aggrieved, went to the court and obtained in May 2000 a decree in his favour. The Commissioner of Excise vacated in June 2000 the suspension order as per Court's verdict. Due to suspension of the licence for operation, the business of the bonded warehouse remained closed from September 1999 to June 2000 and the stock of IMFL/Beer of the warehouse remained undisposed of and ultimately became unfit for human consumption. As a result, 34,335.36 London Proof Litre (LPL) of IMFL and 6,848.40 Bulk Litre (BL) of Beer involving excise duty of Rs.30.08 lakh had to be destroyed by the excise officials.

Thus, due to injudicious decision and violation of normal procedure for suspension of licence of operation, the Department sustained a loss of revenue to the tune of Rs.30.08 lakh.

The matter was reported to the Government and the Department in August 2002; their replies have not been received (November 2003).

### **3.4 Loss of revenue due to warehouse going dry**

The Assam Excise Rules, 1945 makes it mandatory for the contractor to maintain such minimum stock of spirit in the warehouse as may be fixed by the Excise Commissioner from time to time. The contractor shall be liable to compensate any loss to Government revenue which may be incurred owing to his failure to maintain adequate stock.

Test check of records (weekly stock return, monthly stock reports etc.) maintained by the Superintendent of Excise, Jorhat, revealed that the stock of country spirit of Excise Warehouse, Jorhat, declined to zero during the periods 13 October to 17 October 2001, 23 October to 31 October 2001, 1 November to 8 November 2001 and 8 January to 9 January 2002 due to failure of the contractor (warehouse) to lift the permitted quantities from distilleries. Based on sales during corresponding period of the previous year, the revenue loss worked out to Rs.18.11 lakh. No action was taken by the Department to recover the loss from the contractor.

The matter was reported to the Government and the Department in March 2003; their replies have not been received (November 2003).

### **3.5 Non-realisation/non-levy of excise duty on short lifted country spirit**

As per Rule 78 of Assam Excise Rules, 1945 and provisions contained for execution of bond for the import or transport and storage of country spirit, the licensee or his legal representatives shall on each occasion of import or transport and storage of country spirit within the time mentioned in the pass, furnish satisfactory proof to the Officer granting the pass that the specified quantity of the country spirit has been delivered in full to the Officer-in-charge of the country spirit warehouse. In case of default, the licensee shall be liable to pay a sum equal to the amount of duty payable on the quantity short lifted.

Test check of records of the Assam Excise Warehouse, Jorhat, revealed that the licensee had short lifted 0.50 lakh BL of country spirit in the course of import against the permitted quantity of 1.00 lakh BL during the period August 2001 to November 2001. The licensee did not furnish any certificate of short execution from the Exporting Authority. The licensee was, thus, liable to pay duty of Rs.16.51 lakh to the Government. Failure

of the Department to exercise effective control on the matter resulted in non-realisation of excise duty of Rs.16.51 lakh.

The matter was reported to the Government and the Department in March 2003; their replies have not been received (November 2003).

### **3.6 Non-realisation of establishment cost**

The Assam Bonded Warehouse Rules, 1965 provides that the licensee of the warehouse shall pay to the Government at the end of each calendar month such establishment charges as may be determined from time to time by the Commissioner of Excise in respect of the Excise Officer (s) and establishment deployed in the warehouse.

Test check of records of the Superintendent of Excise, Kamrup, revealed that establishment charges amounting to Rs.2.58 lakh in respect of 4\* bonded warehouse for officials deployed during various periods between April 2001 to March 2002 which was required to be paid was not paid by the licensees. It was noticed that there was no prescribed system to ensure the realisation of establishment charges every month from the bonded warehouse. No action for realisation of the amount was taken by the Department.

Thus, due to inaction of the Department, revenue amounting to Rs.2.58 lakh remained unrealised (September 2002).

The case was reported to the Department and the Government in December 2002; their replies have not been received (November 2003).

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\* (i) M/s Camellia, Guwahati  
(ii) M/s Nanak Singh Sujjan Singh, Guwahati  
(iii) M/s Hill View Bonded Warehouse  
(iv) M/s Prag Raj Singh