

## CHAPTER III: STATE EXCISE

### 3.1 Results of audit

Test check of the records of the excise offices, conducted in audit during the year 2004-05, revealed underassessments and losses of revenue of Rs 43.99 crore in 182 cases, which broadly fall under the following categories.

(Rupees in crore)			
Sl. No.	Categories	No. of cases	Amount
1	Non/delayed settlement of excise shop	49	16.82
2	Non realisation of license fee	23	2.71
3	Loss of revenue due to low yield of spirit	8	8.42
4	Loss/wastage of molasses in storage, transit and working	2	0.75
5	Other cases	100	15.29
	<b>Total</b>	<b>182</b>	<b>43.99</b>

During the year 2004-05, the Department accepted underassessment etc. of Rs 8.38 crore involved in six cases which had been pointed out in audit during the earlier years. Of this, the Department reported recovery of Rs 33.84 lakh in three cases.

A few illustrative cases involving Rs 11.65 crore are discussed in the following paragraphs:

### **3.2 Loss of revenue due to non settlement of excise shops**

Under Bihar Excise Act, 1915 (BE Act) and Rules framed thereunder, the system of settlement of excise shops is in force for retail vends of country spirit (CS), spiced country spirit (SCS) and India made foreign liquor (IMFL). The excise shops are put to auction subject to a reserve/upset fee. The Excise Commissioner (EC) issued instructions in June 1995 for departmental operation of shops remaining unsettled. When the upset fee is not obtained, the Collector of the district may accept a lower fee subject to the approval of EC.

- In 14<sup>1</sup> excise districts it was noticed between October 2003 and December 2004 that 104 CS shops, 49 SCS shops and 26 IMFL shops remained unsettled and were not operated departmentally during the period 2001-02 to 2003-04. This resulted in a loss of revenue of Rs 10.06 crore in shape of licence fee and excise duty as worked out on the basis of minimum guaranteed quota (MGQ) and reserve fee fixed for the concerned excise shops respectively.

The cases were reported to Government between October 2004 and March 2005. Government replied in September 2005 that inspite of best efforts the shops remained unsettled due to non availability of bidders. The reply of Government was not tenable as the records produced to audit did not reveal any efforts made to settle the shops by lowering the reserve fee or operating the shops departmentally in the interest of revenue.

- In two excise offices (Katihar and Muzaffarpur) it was noticed between March and June 2004 that there was delay in settlement of five CS and two IMFL shops during 2002-03 & 2003-04. The delay ranged from 79 to 172 days resulting in loss of revenue of Rs 30.30 lakh in shape of licence fee and excise duty as worked out on the basis of MGQ and reserve fee fixed for the concerned shops.

After this was pointed out in audit in June 2004, the Department stated between March and June 2004 that inspite of efforts the shops could not be settled in time. The reply is not tenable as the records produced to audit did not reveal any efforts made to settle the shops in time either by reducing the reserve fee or by operating shops departmentally in the interest of revenue.

The cases were reported to Government between June and August 2004; reply has not been received (September 2005).

### **3.3 Loss of revenue due to non settlement of excise shops after cancellation**

Under condition No. 14(b) of the sale notification issued in March 2003 by the Department for settlement of shops, the successful bidder is required to deposit six months licence fee immediately after the bid. The balance amount of licence fee is to be deposited in equal monthly instalments between July and December by 10<sup>th</sup> of each month failing which the licence shall be cancelled and security

<sup>1</sup> Araria cum Kishanganj, Aurangabad, Bhagalpur cum Banka, Bhojpur cum Buxar, Darbhanga, Gaya, Jehanabad cum Arwal, Katihar, Muzaffarpur, Nawada, Munger cum Jamui cum Lakhisarai cum Sheikhpura, Nalanda, Rohtas cum Kaimur and West Champaran(Bettiah).

money forfeited. Further, each licensee of the shop is required to lift the approved MGQ of CS, SCS, IMFL and beer by last day of each month. In case of failure to comply with the conditions of sale notification, action is required to be taken against the licensee under section 42 of the BE Act. Further, departmental instructions of June 1995 provide for departmental operation of unsettled excise shops. It was also reiterated to settle the shops by reducing the 'reserve fee' with the approval of EC.

In five excise offices<sup>2</sup> it was noticed between January and August 2004 that licences of 27 CS shops, 14 SCS shops and two IMFL shops were cancelled between June 2002 and January 2003 due to non payment of licence fees or short lifting of MGQ by retail licensees during 2002-03 and 2003-04. These shops remained unsettled after cancellation till the end of the respective settlement year. This resulted in loss of revenue of Rs 1.21 crore as worked out on the basis of MGQ and licence fee respectively fixed for the concerned excise shops.

After this was pointed out in audit between January and August 2004, the Superintendents of Excise stated that in spite of all efforts, the shops could not be settled as no bidder turned up. The reply is not tenable as the records produced to audit did not reveal any effort made to settle the shops either by reducing the reserve fee or to run them departmentally, in the interest of revenue.

The cases were reported to Government between August 2004 and January 2005; reply has not been received (September 2005).

### **3.4 Undue advantage to licensees**

Under condition 18 of the sale notification, every bidder is required to lift a fixed MGQ of CS, SCS and IMFL failing which the licensees are liable to be penalised or their licences are to be cancelled under section 68 and 42 of the BE Act.

In excise office, Gaya, it was noticed in August 2004 that the licensees of CS shops Bandhua and Bairag did not lift the MGQ for the entire period of their settlement from September 2003 to March 2004 resulting in loss of revenue of Rs 8.18 lakh as worked out on the basis of MGQ of 23,369 LPL of CS fixed for the concerned shops. The departmental authorities neither cancelled the licence nor imposed any fine under the provisions of the BE Act.

The cases were reported to the Department and Government in February 2005; reply has not been received (September 2005).

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<sup>2</sup> *Bhojpur cum Buxar, Munger cum Jamui cum Lakhisarai cum Sheikhpura, Muzaffarpur, Rohtas cum Kaimur and West Champaran*