

## CHAPTER 3 : State Excise

### 3.01 Results of Audit

Test check of the records of the excise offices, conducted in audit during the year 2001-02, revealed under assessments and losses of revenue amounting to Rs. 48.51 crore in 1868 cases, which broadly fall under the following categories: -

**(Rupees in crore)**

Sl. No.	Category	No. of cases	Amount
1.	Non/delayed settlement of excise shops	383	15.62
2.	Non- realisation of licence fee	132	0.39
3.	Loss of revenue due to wastage of spirit including foreign liquor/denatured spirit	20	0.32
4.	Other cases	1333	32.18
<b>Total</b>		<b>1868</b>	<b>48.51</b>

During the year 2001-02, the concerned department accepted under-assessments etc., of Rs.1.40 crore involved in 414 cases of which 13 cases involving Rs. 0.43 crore had been pointed out in audit during 2001-02 and rest in earlier years.

A few illustrative cases involving tax effect of Rs. 23.96 crore are discussed in the following paragraphs: -

### **3.02 Loss of revenue due to non-settlement of excise shops**

Under the Bihar Excise (BE) Act, 1915 and Rules framed thereunder, the licences for vends of country spirit, foreign liquor and spiced country spirit are settled annually by auction on the upset price fixed by the Collector. In case the upset/reserved fee is not obtained, the Collector<sup>1</sup> may, at his discretion, accept a lower fee subject to the approval of the Excise Commissioner. The department also issued (June 1995) instructions to all Collectors / Deputy Commissioners (DCs) to operate the unsettled excise shops departmentally.

In 19 excise districts<sup>2</sup>, 173 country spirit, 22 India made foreign liquor (IMFL) and 162 spiced country liquor shops remained unsettled during the period between 1998-1999 and 2000-01. No efforts were made either to settle the shops below the reserved fee or to run them departmentally. This resulted in loss of excise revenue amounting to Rs. 15.36 crore in shape of licence fee and excise duty.

On these being pointed out (between March 2001 and February 2002), the department stated (between March 2001 and February 2002) that despite all efforts the shops could not be settled due to non-availability of bidders. Superintendent of Excise (SE), Nalanda stated (July 2001) that the Secretary to Excise Commissioner was requested to give instruction to run the shops departmentally but failed to get any instruction in this regard. The reply of the department is not tenable as in the absence of bidders no efforts were made either to run the shops departmentally or to settle them below the reserved fee. Moreover, the Collectors/D.Cs. were empowered to run the shop departmentally, and as such there was no need for permission of the Government.

The cases were reported to the Government (May 2002); their reply has not been received (November 2002).

### **3.03 Non / short realisation of Administrative charges**

The Bihar Molasses Control (Amendment and Validating) Act, 1999 provides for levy of administrative charges at the rate of Rs 10 per quintal of molasses having reducing sugar upto 37 per cent, and at the rate of Rs 15 per quintal of molasses having more than 37 per cent reducing sugar, released to distilleries within the State of Bihar with effect from 22 December 1995.

Test check of records of 5<sup>3</sup> Excise districts revealed that during 1995-96 to 1999-2000, 59.30 lakh quintals of molasses were sold to 6 distilleries of

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<sup>1</sup> Superintendent of Excise, exercises the powers of collectors delegated to him under excise Act.

<sup>2</sup> Bhagalpur cum Banka, Bettiah, Gaya, Gopalganj, Jehanabad, Katihar, Madhepura, Madhubani, Motihari (E. Champaran), Munger cum Jamui cum Lakhisarai cum Sheikhpura, Muzaffarpur, Nalanda, Nawadah, Patna, Purnea, Rohtas cum Kaimur, Saran, Siwan and Vaishali.

<sup>3</sup> 1. East Champaran, Motihari, 2. West Champaran, Bettiah 3. Gopalganj, 4. Samastipur and 5. Sitamarhi

Bihar<sup>4</sup>, during the years 1995-96 (from 22 December 1995) to 1999-2000 but administrative charges of Rs 8.38 crore were either not realised or realised short.

On these being pointed out (between June 2001 and January 2002), 2 Excise Officers (Bettiah and Sitamarhi) stated (November 2001 and January 2002) that the distilleries had been directed to deposit the amount. Further reply has not been received (November 2002).

The matter was reported to the Government (April 2002); their reply has not been received (November 2002).

### ***3.04 Non-realisation of additional amount on excess lifting of country spirit***

Under the BE Act, 1915 and Rules framed thereunder, permission for issue of liquor in any month beyond 30 per cent above the approved Minimum Guaranteed Quota (MGQ) for that month, shall be granted to retail licensees on payment of additional amount at a fixed rate of Rs. 15 per London Proof Litres (LPL).

In 4 excise districts,<sup>5</sup> 84 retail licencees were permitted to lift 96388.70 LPL of country spirit in excess of 30 per cent of the approved MGQ in different months during the year 1999-2000 and 2000-01 without realising the additional amount of Rs. 14.46 lakh.

On this being pointed out (May 2001 and January 2002), the department stated that the dues would be realised. Further reply has not been received (November 2002).

The cases were reported to the Government (May 2002); their reply has not been received (November 2002).

### ***3.05 Non-realisation of differential amount of duty***

By a notification (August 2000), the Government revised the rate of duty on regular brand of IMFL from Rs. 55 per LPL to Rs. 100 per LPL with effect from 10 August 2000. The notification was, however, circulated on 17 August 2000 to all Collectors/Deputy Commissioners of Excise.

Test check of the records of the Superintendent of Excise, M/s UB Distilleries Limited, Mirganj (Gopalganj), revealed (September 2001) that for 16726.5 LPL of IMFL supplied on 17 August 2000, duty was realised at the rate of Rs. 55 per LPL instead of at the revised rate of Rs. 100 per LPL. This resulted in short realisation of duty amounting to Rs. 7.53 lakh.

<sup>4</sup> 1. S.K.G Distilleries Ltd, Lauria, 2. N.S. Distilleries, Narkatiaganj, 3. U.B. Distilleries, Mirganj, 4. McDowell Co Ltd, Hathidah, 5. S.C.I. India Ltd, Banka and. 6. Riga Distilleries, Riga.

<sup>5</sup> Sitamarhi, Sheohar, Rohtas and Bhabhua.

On this being pointed out (September 2001), the concerned SE stated (September 2001) that the distillery would be directed to deposit the enhanced amount. Further reply has not been received (November 2002).

The case was reported to the Government (May 2002); their reply has not been received (November 2002).