

CHAPTER – III: State Excise

3.1 Results of audit

Test check of records of the excise offices, conducted in audit during the year 2002-03, revealed under assessments and losses of revenue amounting to Rs 21.16 crore in 573 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	259	12.00
2	Non-realisation of licence fee	24	0.22
3	Other cases	290	8.94
Total		573	21.16

During the year 2002-03, the concerned Department accepted under-assessments etc., of Rs 3.72 crore involved in five cases pointed out in audit during 2002-03.

A few illustrative cases involving tax effect of Rs 10.99 crore are given in the following paragraphs: -

3.2 Loss of revenue due to non-settlement of excise shops

Under the Bihar Excise (BE) Act, 1915 and the rules framed thereunder, if the excise shops notified by the Government to be operated during the year are not settled through auction at the notified reserved price, the reserved price could be lowered by the Department with the approval of Commissioner. In the absence of bidders, shops are to be run departmentally in accordance with the instruction dated June 1995 issued by Government of Bihar.

In 10 excise districts¹, 86 country spirit (CS), 42 spiced country spirit and 10 India Made Foreign Liquor (IMFL) shops remained unsettled during 2000-01 and 2001-02. The Department issued auction notice several times but the shops could not be settled on the notified reserved price. However, no efforts were either made to lower the reserved price of the shops for their settlement through auction or to run the shops departmentally. This resulted in loss of excise revenue amounting to Rs 9.86 crore in the form of licence fee and excise duty.

On this being pointed out, the Superintendent of Excise, Chaibasa stated in September 2002 that due to fixation of excess reserved fee and minimum guaranteed quota (MGQ), the shops could not be settled while the other District Officers stated between April and September 2002, that despite all efforts, the shops could not be settled due to non-availability of bidders. The replies are not tenable as no efforts were made to settle them below the reserved fee or to run the shops departmentally.

The cases were reported to the Government in May 2003; their final reply is awaited (October 2004).

3.3 Non-maintenance of minimum stock of country spirit

The BE Act, 1915 and the rules framed thereunder envisage that every retail licensee is required to lift the minimum guaranteed quota (MGQ) of country spirit fixed for a month by the end of that month.

In Dhanbad excise district, four wholesale contractors failed to lift 2,56,537 LPL of country spirit against the fixed MGQ of 2,77,907 LPL for the month of October 2001 for 46 country spirit shops involving excise duty of Rs 89.79 lakh.

On this being pointed out, the Department confirmed in August 2002 that due to non-allotment of spirit in October 2001, issue of CS could not be made which resulted in loss of revenue to the Government.

¹ Bokaro, Chaibasa, Deoghar, Dhanbad, Dumka, Giridih, Godda, Gumla, Lohardaga and Sahebganj-cum-Pakur.

The case was reported to the Government in May 2003; their final reply is awaited (October 2004).

3.4 Loss of interest due to non-institution of certificate proceedings

Under the BE Act, 1915 there is no provision for charging interest on arrears. But the Bihar and Orissa Public Demand Recovery (PDR) Act, 1914 provides for recovery of arrears of revenue by charging a simple interest at the rate of 12 per cent per annum from the date of beginning of certificate till the date of realisation. Any delay in initiating certificate proceedings has the effect of loss of interest to the Government as the provision for charging interest on belated payment covered by certificate takes effect only from the date of signing of the certificate.

In the course of audit of the records of the Superintendent of Excise, Dumka it was noticed that excise revenue amounting to Rs 14.78 lakh was outstanding for the period 1985-86 to 2000-01 against defaulters. No action was, however, taken to initiate certificate proceedings against the defaulters. This resulted in non-recovery of excise revenue of Rs 14.78 lakh calculated for the period 1996-97 to 2000-01 on outstanding dues. Besides no interest could be levied due to the absence of the interest provision in the BE Act. Thus non-initiation of certificate proceedings not only resulted in non-recovery of Government dues but also deprived government of interest of Rs 7.91 lakh at the rate prescribed in PDR Act.

On this being pointed out in February 2002, the Department stated in February 2002 that distress warrants for realisation of outstanding dues were issued from time to time. The reply is not tenable as the Department failed to institute certificate case.

The case was reported to the Government in May 2003; their reply is awaited (October 2004).