

## CHAPTER-V: STATE EXCISE

### 5.1 Results of audit

Test check of records in the office of the Excise Commissioner, Deputy Commissioner of Excise and Superintendent of Excise conducted during the year 2005-06 revealed non/short realisation and loss of revenue amounting to Rs. 9.84 crore in 1,603 cases which may broadly be categorised as under: -

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Loss of revenue due to settlement/renewal of excise shops	790	5.21
2	Non/short realisation of excise duty/license fee/transport fee etc.	769	4.50
3	Other irregularities	44	0.13
<b>Total</b>		<b>1,603</b>	<b>9.84</b>

During the year 2005-06, the department accepted non levy/short realisation of duty etc. amounting to Rs. 4.29 crore in 712 cases pointed out in audit. In 171 cases the department recovered Rs. 0.21 crore during the period.

After issue of draft paragraphs, the department recovered Rs.2.13 crore pertaining to three observations pointed out during 2005-06.

A few illustrative cases highlighting important audit observations involving Rs. 1.69 crore are discussed in the following paragraphs.

## **5.2 Loss of revenue on renewal of IMFL off shops/country spirit shops**

The Bihar and Orissa Excise Act (BOE Act), 1915 and rules made thereunder provides for grant of licences to shops dealing in India made foreign liquor (IMFL) and country liquor for a period of one year from 1 April to 31 March. According to provisions of statutory rules and orders (SRO) of January 1992 the exclusive privilege shall continue for consecutive three years with a 10 *per cent* hike on monthly consideration money of the previous year. The next settlement of the shops was due from April 2004. But Government decided to renew the IMFL off shops with five *per cent* increase in consideration money of the previous year from April 2004 to November 2004 and thereafter another five *per cent* increase upto March 2005. The country spirit shops were to be renewed without any increase in consideration money upto September 2004 and thereafter 10 *per cent* increase upto March 2005.

Test check of records of 30<sup>1</sup> district excise offices (DEOs) between April 2005 and February 2006 revealed that 563 IMFL off shops and 173 country spirit shops were renewed in phased manner as per the decision of Government violating provisions of SRO. This resulted in loss of revenue of Rs.3.78 crore. Further, three IMFL off shops and four country spirit shops did not renew their licences beyond September/November 2004 causing loss of revenue of Rs.52.57 lakh. Thus, periodical renewal of excise shops instead of annual renewal resulted in loss of revenue of Rs.4.31 crore on account of consideration money and duty on minimum guaranteed quantity (MGQ).

After this was pointed out between April 2005 and February 2006 the Superintendents of Excise (SE) replied that they had renewed the shops as per the instructions of Government.

The matter was brought to the notice of Government in April 2006; reply had not been received (November 2006).

## **5.3 Non realisation of differential duty**

As per Excise Policy for the year 2004-05, the rate of excise duty on IMFL (whisky, brandy, rum, vodka made from imported element and bottled in India) was raised to Rs.200 per London proof litre (LPL) effective from 1 April 2004. Again the rate of duty was reduced ranging between Rs.125 and Rs.175 per LPL from 25 September 2004. Accordingly the Orissa State Beverages Corporation Limited (OSBC) levied and realised excise duty from retailers.

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1 Angul, Balasore, Bargarh, Bhadrak, Bhawanipatna, Bolangir, Boudh, Cuttack, Deogarh, Dhenkhal, Gajapati, Ganjam, Jagatsinghpur, Jajpur, Jharsuguda, Kendrapara, Keonjhar, Khurda, Korapur, Malkangiri, Mayurbhanja, Nawarangapur, Nayagarh, Nuapada, Phulabani, Puri, Rayagada, Sambalpur, Subarnapur and Sundergarh.

Test check of records of SE, Khurda in May 2005 along with transactions of IMFL made by OSBC during 2004-05 revealed that 19 brands of IMFL were sold to retailers from the closing stock of 31 March 2004. But the differential excise duty amounting to Rs.1.49 crore on 4,26,263.1557 LPL of IMFL collected at the enhanced rate was not deposited into Government account by OSBC.

After this was pointed out in May 2005 Government stated in July 2006 that Rs.1.27 crore was realised. Report on realisation of balance amount was awaited (November 2006).

#### **5.4 Non realisation of transport fee on mahua flower**

As per Rule-11 of Board's Excise (Fixation of fees on mahua flower) Rules, 1976 as amended in June 2000, rate of fee in respect of transit pass for transporting mahua flower within the State shall be Rs.10 per quintal.

Test check of records of nine<sup>2</sup> DEOs between May 2005 and February 2006 revealed that 297 outstill liquor licensees procured 2,09,787.98 quintals of mahua flower during 2004-05. Against the transport fee of Rs.20.98 lakh, only Rs.1.25 lakh was realised leaving a balance of Rs.19.73 lakh unrealised. No demand for the balance amount was raised which resulted in short realisation of transport fee of Rs.19.73 lakh.

After this was pointed out between May 2005 and February 2006, Government stated in August 2006 that Rs.8.89 lakh was realised from four DEOs in respect of 130 licensees. Report on realisation of balance amount was awaited (November 2006).