

## CHAPTER-VI: State Excise

### 6.1 Results of audit

Test check of the records of the State Excise Offices, conducted in audit during the year 2004-05, revealed non/short recovery of excise revenue amounting to Rs.21.47 crore in 195 cases, which broadly fall under the following categories:

Sl. No.	Category	Number of cases	Amount (Rs. in crore)
1.	Non/short realisation of excise duty and licence fee	21	1.04
2.	Loss of excise duty on account of excess wastage of liquor	10	0.02
3.	Other irregularities	164	20.41
	<b>Total</b>	<b>195</b>	<b>21.47</b>

During the year 2004-05, the Department accepted short realisation etc. in 38 cases involving Rs.7.46 crore of which 25 cases involving Rs.5.15 crore had been pointed out in audit during 2004-05 and rest in earlier years. The Department recovered Rs.1.16 crore in 44 cases of which 12 cases involving Rs.10.11 lakh had been pointed out in audit during the year 2004-05 and rest in earlier years.

A few illustrative cases involving Rs.1.15 crore highlighting important audit observations are given in the succeeding paragraphs.

## **6.2 Non-recovery of stock transfer fee**

Rajasthan Excise Rules, 1956 provide that in the event of transfer of closing stock of Indian Made Foreign Liquor (IMFL)/beer and lanced poppy heads (LPH) from one licensee to another licensee, stock transfer fee at the rate of Rs.4 per bulk litre (BL) and Rs.2 per kg respectively shall be charged.

In three district excise offices<sup>1</sup>, it was noticed between December 2004 and March 2005 that the closing stock of 3,69,902.04 BL IMFL, 53,421.4 BL beer and 21,978.97 quintal LPH held at the end of contract period of 2002-03 and 2003-04 were transferred to the licensees of the succeeding years. However, stock transfer fee amounting to Rs.43.96 lakh on LPH and Rs.16.93 lakh on IMFL/beer chargeable on above transfer, was not recovered by district excise officers (DEOs). It resulted in non-recovery of stock transfer fee of Rs.60.89 lakh.

After this was pointed out, the Commissioner Excise stated in May and July 2005 that demand of Rs.19.98 lakh had been raised and recovered in respect of the licensees of Barmer and Chittorgarh. Further, it was stated that Rs.40.92 lakh in respect of Sirohi and Chittorgarh was not recoverable as licences were sanctioned to same licensees. The reply is not tenable as licences were sanctioned separately for each year by inviting tenders. Thus, the licences were separate from each other. Moreover, recovery was also made in Barmer from the same licensee.

Government confirmed in July 2005 the reply of the Department.

## **6.3 Short recovery of excise duty**

Government notification issued under Rajasthan Excise Act 1950 provides for excise duty on IMFL at the rate of Rs.100 per London Proof Litre (LPL) from 1 April 1999. Government declared (April 2003) heritage liquor to be IMFL. The Commissioner declared 'Som Ras' as heritage liquor with effect from 1 April 2003.

In four district excise offices<sup>2</sup> it was noticed between July 2004 and March 2005, that licensees having wholesale licence of IMFL, purchased 79,200 BL (47,520 LPL) of Som Ras Liquor between July 2003 and December 2003, from a manufacturer at Behror (Alwar). The excise duty on this liquor was erroneously levied at the rate of Rs.50 per LPL. As heritage liquor had been declared IMFL from 1 April 2003, levy of excise duty at incorrect rates resulted in short recovery of excise duty amounting to Rs.23.76 lakh.

After this was pointed out between July 2004 and March 2005, the Department stated in May 2005 that excise duty on heritage liquor was

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<sup>1</sup> Barmer, Chittorgarh and Sirohi

<sup>2</sup> Alwar, Chittorgarh, Sikar and Sriganganagar.

realised at the rate of Rs.50 per LPL as prescribed. The reply was not tenable as heritage liquor was categorised as IMFL with effect from 1 April 2003 and excise duty on heritage liquor was, therefore, chargeable as applicable for IMFL.

Government confirmed in July 2005 the reply of the Department.

#### **6.4 Short recovery of exclusive privilege amount**

As per conditions of licence for the year 2003-04 for retail sale of IMFL and beer, the rebate allowed to the licensee of a group in fulfilment of EPA<sup>3</sup> on account of excise duty shall be withdrawn in respect of quantity of liquor which remained undisposed or unsold at the end of licence period. Accordingly, rebate allowed in respect of quantity of liquor which remained in balance at the end of licence period out of the quantity of liquor sold to hotels/club bars was to be withdrawn.

In three district excise offices<sup>4</sup>, it was noticed between April 2004 and December 2004 that three retail licensees of liquor groups for the year 2003-04 issued IMFL/beer to 61 licensees of hotel/club bars situated in groups and availed fulfilment towards EPA on 12,837.731 LPL IMFL and 46,313.823 BL beer which remained undisposed with these hotels /club bars at the end of licence period. The rebate of Rs.18.98 lakh granted thereon was thus, required to be withdrawn but it was neither withdrawn nor recovered which resulted in short recovery of EPA of Rs.18.98 lakh.

After this was pointed out the Department stated in May 2005 that Rs.8.71 lakh have been recovered from Alwar and Jodhpur. The replies in other cases were awaited (July 2005).

The matter was reported between June 2004 and April 2005 to the Government; their reply has not been received (July 2005).

#### **6.5 Irregular grant of rebate in exclusive privilege amount**

As per condition of licence for the year 2003-04 for retail sale of beer, the rebate equivalent to excise duty paid by Hotel/Club bar on purchase of beer from the wholesaler of EPA shall be allowed to retail licensee under EPA system towards fulfilment of its monthly guarantee.

In Jaipur, Kota and Alwar, it was noticed in October 2004 & December 2004 that hotel/club bars purchased beer from Rajasthan Tourism Development

<sup>3</sup> Exclusive privilege amount is the amount on which a licence to sell liquor for a year is sanctioned in favour of licensee which is divided in 12 monthly instalments.

<sup>4</sup> Alwar, Jodhpur and Udaipur.

Corporation (RTDC) which was not having wholesale licence under EPA system. In disregard of the provisions, rebate of Rs.10.81 lakh of excise duty was allowed by the Department to retail licensee in its fulfilment of EPA despite the fact that RTDC was not the wholesale licensee under EPA system. This resulted in irregular grant of rebate amounting to Rs.10.81 lakh.

After this was pointed out in November 2004 and February 2005, the Department stated in May 2005 that an amount of Rs.1.11 lakh has been recovered from licensee in Alwar but in respect of balance amount of Rs.9.70 lakh relating to licensees at Jaipur and Kota it was stated that beer was issued to RTDC hotel bars as such amount was not recoverable. The reply is not tenable as RTDC was not the wholesale licensee under EPA system. Further reply was awaited (July 2005).

Government confirmed in July 2005 the reply of the Department.