

## CHAPTER 4 STATE EXCISE

### 4.01 Results of audit

Test check of records of State Excise revenue, conducted in district revenue wings during the year 2000-2001, revealed non/short realisation of excise duty amounting to Rs.412.31 crore in 76 cases, which broadly fall under the following categories :

*(Rupees in crore)*

Sl. No.	Categories	No. of cases	Amount
1.	Non/short levy of excise duty on RS and ENA/chargeable wastage/non-receipt and short receipt of IMFL	12	399.53
2.	Non/short recovery of privilege fee/additional fee/licence fee/transport pass fee	6	0.81
3.	Non/short realisation of excise establishment cost	23	0.44
4.	Other cases	35	11.53
<b>Total</b>		<b>76</b>	<b>412.31</b>

During the course of the year 2000-2001, the concerned department accepted underassessments etc of Rs.363.93 crore involved in 98 cases of which 50 cases involving Rs.362.62 crore had been pointed out in audit during the year 2000-2001 and the rest in earlier years.

A few illustrative cases involving Rs.356.18 crore highlighting important observations are given in the following paragraphs.

### 4.02 Non-levy and non-realisation of excise duty

Under the Excise Rules, spirit including rectified spirit intended to be used for manufacture of foreign liquor is chargeable to duty at prescribed rate.

Scrutiny of records in 2 excise offices, Collector of Excise, Kolkata and Superintendent of Excise, Hooghly revealed (between February and

September 2000) that 3 licensees viz. M/s Eastern Distilleries & Chemicals Ltd., M/s Shaw Wallace & Co. Ltd. and M/s Serampore IMFL Bottling Plant issued from their strong spirit godown 3,29,69,177 LPL of rectified spirit and extra-neutral alcohol to their respective foreign liquor bottling plants for manufacture of foreign liquor between April 1995 and March 2000 without payment of requisite duty. The assessing authorities also did not initiate any action to levy and realise the same. This resulted in non-levy and non-realisation of excise duty of Rs.355.05 crore.

On the cases being pointed out (between February and September 2000), the Commissioner of Excise stated (July 2001) *inter alia* that the matter of leviability of duty on Rectified Spirit as well as finished IMFL was being referred to Government for clarification. A careful examination and reconsideration of the notification tantamounting to double taxation at the government level is needed. However, as per existing provision, spirit including rectified spirit intended to be used for manufacture of IMFL attracts levy of duty at prescribed rate. Report on further development has not been received (October 2001).

The cases were reported to Government between June and November 2000 followed by reminders issued upto July 2001; their reply has not been received (October 2001).

#### **4.03 Blockage of revenue due to non-removal of India-made foreign liquor from warehouses**

Under the provisions of the Bengal Excise Act, 1909 and the Rules (1940) made thereunder, consignments of India-made foreign liquor (IMFL) stored in a bonded warehouse is required to be taken out from the warehouse on payment of requisite duty and fee within three months (enhanced to six months with effect from 1 September 1998) from the date of entry in the warehouse.

Scrutiny of records in 3 excise offices<sup>1</sup> revealed (between February and September 2000) that 37,339 bulk litres of beer<sup>2</sup> and 71,880 London proof

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<sup>1</sup> Collector of Excise, Kolkata, Superintendents of Excise, Hooghly and South 24-Parganas

<sup>2</sup> Duty on beer is chargeable in terms of bulk litre

litres of other variety of IMFL stored in 16 different private bonded warehouses since February 1996 were not removed from the warehouses by the bonders, resulting in blockage of Government revenue of Rs.83.01 lakh.

On the cases being pointed out between February and September 2000, the Commissioner of Excise stated (July 2001) that the matter was being examined. Report on further development has not been received (October 2001).

The cases were reported to Government between June and November 2000 followed by reminders issued up to July 2001; their reply has not been received (October 2001).

#### **4.04 Evasion of revenue due to irregular levy of fee**

Under the provisions of the Excise Laws, a licensee for compounding and blending foreign liquor or bottling foreign liquor shall pay a fee at the rate of Rs.7 per bulk litre (BL) of rectified spirit brought into the manufactory for use in manufacture of India-made foreign liquor (IMFL) at the time of receipt of such spirit at the warehouse of manufactory.

Scrutiny of records of the Superintendent of Excise, South 24-Parganas revealed (April 2000) that a licensee brought 4,02,585 BL of rectified spirit to its foreign liquor units between July 1996 and May 1998 for manufacture of IMFL but the requisite fee was not realised on the quantity of rectified spirit so issued. Instead the fee was paid on a product called extra neutral alcohol (ENA), prepared after redistillation of rectified spirit, subsequently removed (between January 1997 and December 1998) to the blending units for use in the manufacture of IMFL. Thus, levy of such fee on ENA instead of the entire quantity of rectified spirit redistilled resulted in evasion of revenue amounting to Rs.12.85 lakh leviable on 1,83,585 BL being the differential quantity of rectified spirit redistilled and ENA issued to manufacturing unit.

On this being pointed out (April 2000), the Commissioner of Excise stated (July 2001) that the fee could not be claimed as the licensee did not have any

licence for compounding and blending of IMFL at the distillery premises. The reply is not tenable as the licensee had brought the rectified spirit for the purpose of manufacture of IMFL in their bottling plants at different places within the State and as such was liable to pay fee for the entire quantity of rectified spirit.

The matter was reported to Government in June 2000 followed by reminders issued up to July 2001; their reply has not been received (October 2001).

#### **4.05 Non/short realisation of establishment cost**

Under the Excise Rules, the licensee of a bonded warehouse is to pay to Government a monthly fee in cash, equivalent to monthly cost comprising average pay, compensatory allowance and contribution towards leave salary and pension in respect of the excise establishment deployed in a warehouse. Bonus being an additional expenditure incurred by Government on the personnel posted in the excise bond or warehouse should be included in the gross sanctioned cost of the service and recovered from the licensee along with other establishment cost.

Scrutiny of records in 5<sup>3</sup> excise offices revealed (between November 1999 and September 2000) that establishment cost in respect of the excise personnel deployed in 36 bond/warehouses had not been realised/realised short for various periods between January 1988 and March 2000 resulting in non/short realisation of establishment cost of Rs.10.49 lakh. Besides, Rs.6.88 lakh on account of bonus was not realised from 19 bond/warehouses during April 1991 and March 1999.

On the cases being pointed out between November 1999 and September 2000, the Commissioner of Excise stated (between May and July 2001) that Rs.3.14 lakh had been realised towards establishment cost in 8 cases and Government

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<sup>3</sup> Superintendents of Excise Burdwan (West), Hooghly, Jalpaiguri, South 24-Parganas and Deputy Commissioner (Special) of Excise, West Bengal

had been moved for making specific provisions in the Rule for inclusion of bonus in the establishment cost. However, a sum of Rs.58,000 had been realised on account of bonus from 7 bond/warehouses. Report on further development has not been received (October 2001).

The matter was reported to Government between February and November 2000 followed by reminders issued up to July 2001; their reply has not been received (October 2001).