

CHAPTER-III
STATE EXCISE

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3.1 Tax administration

The levy and collection of Excise Duty is governed by the Bihar Excise Act, 1915 and the Rules made/notifications issued thereunder, as adopted by the Government of Jharkhand. The Secretary of the Excise and Prohibition Department is responsible for administration of the State Excise laws at the Government level. The Commissioner of Excise (EC) is the head of the Department. He is primarily responsible for the administration and execution of the excise policies and programmes of the State Government. He is assisted by a Deputy Commissioner of Excise and an Assistant Commissioner of Excise at the Headquarters.

The State of Jharkhand is divided into three excise divisions¹, each under the control of a Deputy Commissioner of Excise. The divisions are further divided into 19 Excise Districts² each under the charge of an Assistant Commissioner of Excise/Superintendent of Excise (ACE/SE).

3.2 Results of audit

The State Excise and Prohibition Department collected ₹ 740.16 crore during 2014-15. We test checked the records of 19 units out of 24 units with revenue collection of ₹ 291.22 crore relating to State Excise and revealed the irregularities of non/short levy of excise duty and licence fees etc. involving ₹ 59.55 crore in 2,500 cases details as mentioned in the **Table-3.2**.

Table-3.2

Sl. No.	Categories	No. of cases	(₹ in crore)
			Amount
1	Non/delayed settlement of retail excise shops	53	22.58
2	Lifting of liquors without/at reduced rate of licence fees	1,242	22.78
3	Loss of revenue due to short lifting of liquor by retail vendors	673	4.77
4	Other cases	532	9.42
Total		2,500	59.55

During the course of the year, the Department accepted non/short realisation of license fee, duty, loss of revenue and other deficiencies of ₹ 29.65 crore in 1,050 cases pointed out by us during 2014-15. The Department recovered ₹ 1.80 crore in 297 cases.

In this chapter we present a few illustrative cases having financial implications of ₹ 27.30 crore. These are discussed in the succeeding paragraphs.

¹ North Chotanagpur Division, Hazaribag, South Chotanagpur Division, Ranchi and Santhal Pargana Division, Dumka.

² Bokaro, Chaibasa, Dhanbad, Deoghar, Dumka, Garhwa, Giridih, Godda, Gumla-cum-Simdega, Hazaribag-cum-Ramgarh-cum-Chatra, Jamshedpur, Jamtara, Koderma, Lohardaga, Pakur, Palamu-cum-Latehar, Ranchi, Sahebganj and Saraikela-Kharsawan.

3.3 Non-observance of the provisions of Act/Rules

The Bihar Excise Act, 1915 (as adopted by the Government of Jharkhand) and Resolution No. 367 dated 20 February 2009, Gazette Notification No. 150 dated 27 March 2009 and letter No. 191 dated 31 March 2013 issued thereunder provide for:

- i) cent per cent settlement of retail excise shops;
- ii) lifting of minimum guaranteed quota (MGQ) by excise retail shops; and
- iii) realisation of additional licence fee for excess lifting over MGQ.

Loss/non-realisation of revenue due to non-observance of some of the provisions of the Act/Rules are mentioned in the following paragraphs 3.4 to 3.7.

3.4 Non-settlement of retail excise shops

The Government was deprived of excise revenue of ₹ 22.27 crore in shape of excise duty and licence fee due to lack of diligence on part of district excise authorities.

We noticed in four excise districts³ (between October 2014 and February 2015) that a list of excise retail shops specifying their MGQ and licence fee, advance licence fee and security money was prepared at district level and sale notifications containing all these facts were published. Settlement process was conducted during March 2013 for settlement of 525 excise retail shops for the period 2013-14. However, 51 retail shops⁴ remained unsettled throughout the year despite publication of sale notifications from time to time. As per instructions issued dated 31 March 2013 all the ACEs/SEs were made responsible for cent per cent settlement of retail excise shops by rationalising the MGQ and potentiality of the shops. The district excise Authorities could not ensure compliance of these instructions which deprived the Government of excise revenue in shape of excise duty and licence fee amounting to ₹ 22.27 crore as detailed in the **Table-3.4**.

Table-3.4

(₹ in lakh)

Sl. No.	Name of district	MGQ (in LPL/BL)				Licence Fee	Duty	Total (LF+Duty)
		CS	SpCS	IMFL	Beer			
1	Jamshedpur	5,86,481	82,800	2,81,962	3,43,178	883.85	217.18	1,101.03
2	Ramgarh	94,452	12,605	77,805	88,800	203.01	54.21	257.21
3	Bokaro	5,43,036	0	85,596	1,07,472	437.43	86.13	523.56
4	Dhanbad	15,648	2,280	1,27,956	1,87,680	261.04	83.82	344.86
Total		12,39,617	97,685	5,73,319	7,27,130	1,785.33	441.34	2,226.67

CS = Country Spirit, SpCS = Spiced country spirit, IMFL = India Made Foreign Liquor, LPL = London Proof Liter and BL = Bulk Liter.

After we pointed out the cases between October 2014 and February 2015, the ACE, East Singhbhum (Jamshedpur) and Dhanbad stated that shops could not

³ Bokaro, East Singhbhum (Jamshedpur), Dhanbad and Hazaribag-cum-Chatra-cum-Ramgarh.

⁴ Number of shops unsettled/offered: Bokaro (9/98), Dhanbad (6/189), Jamshedpur (31/195) and Ramgarh (5/43).

be settled due to non-availability of interested applicant even though regular sale notification was published, while ACE, Bokaro and Hazaribag-cum-Chatra-cum-Ramgarh stated that due to excess fixation of MGQ by the EC shops remained unsettled.

We reported the matter to the Government in June 2015, the Department stated in September 2015 that effort for settlement of shops at the reduced licence fee was not made due to non-availability of interested applicants. Thus, lack of efforts on part of officials resulted in non-settlement of 51 shops and consequential loss of revenue.

3.5 Short lifting of liquor by retail vendors

Excise duty or fiscal penalty equivalent to loss of excise duty of ₹ 4.67 crore though recoverable from retail vendors on account of short lifting of liquor was not levied.

We test checked (between October 2014 and March 2015) the consumption statements of liquor and related records in seven excise districts⁵ and found that 542 vendors out of 871 retail shops were required to lift 224.71 lakh LPL/BL of CS/SpCS/IMFL/Beer in 2013-14 from wholesale licensees of the districts but only 179.78 lakh LPL/BL of CS/SpCS/IMFL/Beer was lifted during the year as such there was short lifting of liquor of 44.93 lakh LPL/BL. Under the provisions of BE Act and policies made there under, each vendor of a retail excise shop is required to submit weekly requirement of country spirit for the next month to the contractor of the exclusive privilege for wholesale supply of country spirit by the last week of the previous month and is bound to lift MGQ of liquor of each kind fixed by the Department for the shop, failing which excise duty or fiscal penalty equivalent to loss of excise duty shall be recoverable from the retail vendor. The Department did not levy excise duty on account of short lifting which resulted in non-levy of excise duty of ₹ 4.67 crore.

We reported the matter to the Government in June 2015, the Department stated in September 2015 that an amount of ₹ 1.75 crore had been adjusted from security deposit of concerned licencees in Bokaro, East Singhbhum, Garhwa and Ranchi while adjustment of balance amount was under process. Further reply has not been received (October 2015).

3.6 Non-realisation of establishment cost

Establishment cost on deputation of excise staff in distillery/IMFL bottling plant was not realised.

We test checked (between October and November 2014) the excise records of distilleries⁶/IMFL bottling plant⁷ alongwith deputation files of excise officials and acquittance rolls in Bokaro and Dhanbad excise districts and noticed that five excise officials were deputed to plants during 2013-14 and a sum of

⁵ Bokaro, Dhanbad, East Singhbhum, (Jamshedpur), Garhwa, Hazaribag-cum-Chatra-cum-Ramgarh, Palamu-cum-Latehar, Ranchi-cum-Khunti.

⁶ M/s Ankur Biochem Pvt. Ltd. Dhanbad.

⁷ M/s Om Bottlers and Blenders Pvt. Ltd. Bokaro.

₹ 20.16 lakh was paid to them on account of pay and allowances. As per the provisions of Section 90 of the BE Act and Rules made thereunder read with para 9, 10 and 36A, licensee of a distillery/IMFL bottling plant was liable to bear all establishment cost of deputed excise officials under supervision of whom manufacturing process of spirit/potable liquor was conducted. The EC was empowered to depute excise staff on a whole time or part time basis in case of IMFL bottling plant. Further, licensees have to pay such amount by 7th of each month in advance for whole time or at the end of each month in case of part time deputation. Accordingly, establishment cost of deputed officials, though realisable from the concerned licensees was not realised. This resulted in non-realisation of establishment cost of ₹ 20.16 lakh.

We reported the matter to the Government in June 2015, the Department stated (September 2015) that recovery of ₹ 3.30 lakh has been made in Bokaro district while in Dhanbad excise district demand was raised for recovery and the licensee had filed writ petition in Hon'ble High Court.

3.7 Non-realisation of additional licence fee

Additional licence fee of ₹ 16.32 lakh for excess wholesale supply of CS in sachets over fixed MGQ was not realised.

We test checked (March 2015) the excise records relating to grant of exclusive privilege for wholesale supply of CS in office of the Commissioner of Excise, Jharkhand and noticed that a contractor was awarded exclusive privilege for wholesale supply of country spirit in Hazaribag zone for the period from July 2012 to March 2014 on annual renewal basis. Further, scrutiny of consumption statement revealed that 26.48 lakh LPL of CS was supplied by the contractor against fixed MGQ of 22.40 lakh LPL as such there was excess supply of liquor of 4.08 lakh LPL during 2013-14. As per Section 22-D of the BE Act read with tender notification for wholesale supply of CS, the State Government may grant to any person/persons on such conditions and for such terms and conditions and for such periods as it may think fit, the exclusive privilege for supplying CS through Jharkhand State Beverages Corporation Limited (JSBCL) on wholesale basis in a zone, on payment of advance licence fee at prescribed rate i.e., at the rate of ₹ two per LPL of fixed MGQ by the contractor and JSBCL. Further, if supply of liquor exceeds fixed MGQ during the year, additional licence fee is realisable at the rate of ₹ four per LPL. Thus, additional licence fee of ₹ 16.32 lakh, though realisable, was not realised by the EC in accordance with the above provisions. This resulted in non-realisation of additional licence fee of ₹ 16.32 lakh.

After we pointed out the case in March 2015, the EC stated that all proper steps would be taken for realisation of additional licence fee if not deposited into treasury. Further reply has not been received (October 2015).

We reported the matter to the Government in June 2015; their reply has not been received (October 2015).