



**CHAPTER - III**  
**EXCISE DEPARTMENT**



## CHAPTER – III : EXCISE DEPARTMENT

### 3.1 Administration

The State Excise Department is responsible for collection of revenue under Assam Excise Act and enforcement of Excise laws on prohibition of illicitly distilled liquor, *Ganja*, *Bhang* and Opium. In addition, the Department is also responsible for enforcing the provisions of Narcotic Drugs and Psychotropic Substances Act and the Medicinal and Toilet Preparation Act. The Commissioner of Excise (CE), Assam is the head of the Department. He is primarily responsible for administration and execution of Excise policies and programmes of the State Government. He is assisted by an Additional Commissioner of Excise, a Joint Commissioner of Excise and two Deputy Commissioners of Excise, one at Headquarters' and another for Bodoland Territorial Area.

Excise revenue comes from *ad-valorem* levy, establishment charges, various kinds of licence fees on foreign liquor/beer, country spirit, rectified spirit, etc. Further, import pass fee, export pass fee, transport pass fee, underbond pass fee, brand and label registration/renewal fee also generate revenue for the Government exchequer.

During 2016-17, the Department restructured *ad-valorem* levy, revised licence fee of various excise licences, increased different kinds of fees in respect of label registration/renewal and profile fee and replaced the Assam Excise Act, 1910 and the Assam Excise Rules, 1945 by the Assam Excise Act, 2000 and the Assam Excise Rules, 2016 *w.e.f.* 1 September 2016 respectively. The point of levy of Excise Duty was shifted to the level of first point of transaction made within the State ensuring that only duty paid liquor comes out from the manufactories/bottling plants/breweries. This change is aimed at curbing leakage of excise revenue.

During the year 2017-18, two distillery licensees, two brewery licensees, 18 bottling plants/manufacturing units licensees, 2,038 IMFL 'OFF'/'ON' licensees, six Beer 'OFF'/'ON' licensees and 40 Club 'ON' licensees were registered under the Excise Department.

### 3.2 Working of internal audit wing

Internal audit, a vital component of internal control mechanism, functions as the internal oversight of the Department and is a vital tool which enables the management to assure itself that prescribed systems are functioning reasonably well.

The Department stated that there is no internal audit wing but that the officers of the department conduct periodical inspections of different establishments at different

levels. However, there is no provision for internal audit as per Assam Excise Acts and Rules thereunder.

**Recommendation: The State Government may amend the Act and Rules to put in place a system of internal audit to ensure compliance with Acts/Rules/and Regulations.**

### **3.3 Results of audit**

In 2017-18, test check of the records of 16 offices (out of total 50 offices) relating to excise duty, licence fee receipts, etc., detected 263 cases of non/short realisation of excise duty/licence fee/renewal fee and other irregularities involving ₹ 615.53 crore, as shown in **Table 3.1**.

**Table 3.1  
Results of Audit**

<i>(₹ in crore)</i>			
<b>Sl. No.</b>	<b>Category</b>	<b>Number of cases</b>	<b>Amount</b>
1.	Non/Short payment of annual licence fee	26	15.82
2.	Evasion of <i>ad-valorem</i> levy and VAT	10	35.17
3.	Loss of Excise duty and VAT	9	0.33
4.	Non realisation of revenue on wastage beyond permissible limit	3	0.53
5.	Short realisation of revenue on transit loss beyond permissible limit	2	0.06
6.	Short realisation of transport/import fee	5	0.11
7.	Non realisation of establishment charges	14	1.03
8.	Loss of revenue due to warehouse going dry	7	4.87
9.	Other irregularities	187	557.61
<b>Total</b>		<b>263</b>	<b>615.53</b>

During the year, the Department accepted under-assessment and other deficiencies of ₹ 1.57 crore in 26 cases. An amount of ₹ 0.44 crore was recovered in 25 cases during the year 2017-18.

A few cases involving revenue of ₹ 12.31 crore are discussed in the succeeding paragraphs.

## Compliance Audit observations

## Distillery/Brewery/Bottling Plant

## 3.4 Non-realisation and short realisation of licence fees

**Inaction on the part of the Superintendent of Excise resulted in non-realisation and short realisation of licence fees of ₹ 7.83 crore of distillery licence, brewery licence and bottling licence from five licensees having Distillery, Brewery and Bottling plant**

[Superintendent of Excise (SE), Kamrup; June – October 2017]

As per the Assam Distillery (AD) Rules, 1945 and the Assam Excise (AE) Rules, 2016, the distiller/manufacturer/brewer who desires to manufacture spirit/India Made Foreign Liquor (IMFL)/beer shall hold licences which are to be renewed annually on payment of fees<sup>61</sup> on or before last day of February/15 day of March of previous year.

Rule 4 of the AD Rules, 1945 and Rule 501 of the AE Rules, 2016 provides that the distiller shall execute a bond in the prescribed form pledging the premises, stills and all apparatus and utensils employed in the manufacture of Extra Neutral Alcohol (ENA)/Spirit, for the due discharge of all payments which may become due to the government by way of duty, fees, rents, fines, penalties or otherwise under the provisions of his licence or to which the distiller may be liable by law or rules or under any engagement of bond into which he may have entered. The amount given

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Kind of licence	Production Capacity/ Bond limit	Amount of Annual Licence Fee per annum (₹ in lakh)		
		w.e.f. 1 April 2011#	w.e.f. 1 June 2015 @	w.e.f. 1 September 2016 \$
Distillery licence	Upto 30 lakh London Proof Litre (LPL) per annum	10.00	20.00	20.00
	More than 30 lakh LPL to 60 lakh LPL per annum	20.00	40.00	40.00
	More than 60 lakh LPL per annum	25.00	50.00	50.00
Brewery licence	Upto 80 lakh BL of beer per annum	10.00	20.00	20.00
Bottling licence of beer		1.50	3.00	3.00
Beer bonded warehouse licence	Upto ₹ 50 lakh	1.50	4.50	4.50
	More than ₹ 50 lakh to ₹ 1 crore	2.50	7.50	7.50
	More than ₹ 1 crore	5.00	10.00	10.00
Beer wholesale licence	--	2.00	5.00	5.00
Compounding & Blending of IMFL licence	--	1.50	3.00	3.00
Reduction & Bottling of IMFL licence	Upto 30 lakh LPL per annum	1.50	3.00	3.00
IMFL bonded warehouse licence	Upto ₹ 50 lakh	1.50	4.50	4.50
	More than ₹ 50 lakh to ₹ 1 crore	2.50	7.50	7.50
	More than ₹ 1 crore	5.00	10.00	10.00
IMFL wholesale licence	--	2.00	5.00 (13 August 2015)	5.00

# vide Notification No. Ex.340/2001/Pt-III/331 dated 29 September 2010, No.Ex.340/2001/Pt-III/330 dated 29 September 2010 and No.Ex.340/2001/Pt-III/329 dated 29 September 2010.

@ vide Notification No. Ex.178/2014/350 dated 1 June 2015, No.Ex.178/2014/348 dated 1 June 2015 and No.EX.165/2014/365 dated 13 August 2015.

\$ vide Notification No. Ex.138/2015/99 dated 1 September 2016.

in the bond is termed as 'bond limit' and the hypothecation deed of an equal amount is to be executed.

Further, as per Instruction No. 255 of the Assam Excise Act, 1910 and Rule 450 of the AE Rules, 2016, the Superintendent of Excise (SE) shall also maintain register of licences relating to licences issued by him.

As per Rule 342 (b) of the Assam Excise (AE) Rules, 2016, if any person or any licence holder fails to pay duty, fee or any other levy due to the Government, he is liable to pay penalty which may extend to three hundred percent of the duty, fee or other levies due from him.

Further, as per Rules 37 and 39 of the AD Rules, 1945, Rules 39 and 40 of the ABW Rules, 1965 and Rule 343 of the AE Rules, 2016, a prosecution for the non-payment of licence fees or any other fees payable to the Government should only be instituted with the sanction of the Commissioner of Excise (CE) and to cancel the licence.

**3.4.1** Scrutiny of records (*viz.* licence fee payment challans) of SE, Kamrup showed that all the three licensees<sup>62</sup> having distillery, brewery and bottling plant licences did not pay annual licence fees for the years 2011-12 to 2017-18. Inaction on the part of the SE, Kamrup to realise the licence fee as well as failure of the CE, Assam to cancel the licences for non-payment of fees resulted in non-realisation of licence fee of ₹ 6.21 crore as shown in **Appendix - XII**. Audit observed that there was deficiency in internal control, as the SE, Kamrup did not maintain a licence register relating to licences issued by him. Further, no demand, collection and balance register was maintained in the office for keeping a watch on revenue due and actual collection.

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the Additional Commissioner of Excise (ACE), Assam admitted the lapse on the part of the then SE, Kamrup and instructed the present incumbent to issue demand notices immediately and after realisation of dues from all three licensees, the process of cancellation of licences may be taken up with the CE, Assam. The Secretary and the Additional Secretary to the GoA, Excise Department also directed the ACE, Assam to realise all up-to-date dues immediately and to resolve the matter as early as possible so that the licences of all the three licensees can be cancelled immediately. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Kamrup to take further necessary action. Further development was awaited (December 2018).

***Recommendation: The Department may ensure realisation of annual license fee in time and may cancel the licences on failure on the part of the licensees as per provision of the Assam Excise Rules.***

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<sup>62</sup> M/s. Master (India) Brewing Company, M/s. Brahmaputra Biochem Pvt. Ltd. and M/s. N. V. Distilleries & Breweries (North East) Pvt. Ltd.

**3.4.2** Scrutiny of records of SE, Kamrup showed that out of three licensees a licensee M/s. N. V. Distilleries & Breweries (North East) Pvt. Ltd. paid annual renewal licence fees for distillery and brewery for the year 2015-16 at pre-revised rates. Lack of timely action as per Rules 37 and 39 of the AD Rules, 1945 and Rule 343 of the AE Rules, 2016 on the part of the SE, Kamrup resulted in short realisation of annual renewal licence fees for distillery and brewery licence of ₹ 16.66 lakh as the SE, Kamrup failed to raise demand for realisation of annual license fee at revised rate for the year 2015-16. The details of which are given in the following table.

**Table 3.2**  
**Short realisation of licence fees**

(₹ in lakh)			
Type of licence	Licence fees payable for the year 2015-16	Licence fees paid for the year 2015-16	Short realisation of licence fees for the year 2015-16
Distillery licence	18.33 <sup>63</sup>	10.00	8.33
Brewery licence	18.33 <sup>64</sup>	10.00	8.33
<b>Total</b>	<b>36.66</b>	<b>20.00</b>	<b>16.66</b>

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the Secretary and the Additional Secretary to the GoA, Excise Department had instructed the ACE, Assam to take action against the then SE, Kamrup for loss of revenue to the State exchequer for non-initiation of action in time and also directed the present incumbent to take necessary procedure against the guarantor, if any, for such lapses on the part of the licensee. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Kamrup to take further necessary action. Further development was awaited (December 2018).

***Recommendation: The Department may ensure realisation of annual license fee in time to avoid loss of revenue and may cancel the licences on failure on the part of the licensees as per provision of the Assam Excise Rules.***

**3.4.3** Scrutiny of records of SE, Kamrup showed that out of three licensees a licensee M/s. Brahmaputra Biochem Pvt. Ltd. paid annual renewal licence fees for bonded warehouse at lower rate for the years 2015-16 and 2016-17 though ad-valorem levy of stock of ENA and Spirit crossed bond limit of rupees one crore<sup>65</sup> during the years 2015-16 and 2016-17. Audit observed that SE, Kamrup did not cross verify the monthly statement of production, issue and stock to ensure that the

<sup>63</sup> Distillery Licence Fees for the period April-May 2015 at old rates of ₹ 10,00,000 = ₹ 1,66,667 and for the rest of the period from June 2015 to March 2016 = ₹ 16,66,666 (pro-rata of ₹ 20,00,000 payable as annual licence fees at revised rate).

<sup>64</sup> Brewery Licence Fees for the period April-May 2015 at old rates of ₹ 10,00,000 = ₹ 1,66,667 and for the rest of the period from June 2015 to March 2016 = ₹ 16,66,666 (pro-rata of ₹ 20,00,000 payable as annual licence fees at revised rate).

<sup>65</sup> For calculation of Ad-valorem levy, General Brand (as ad-valorem levy of ₹ 815 per case) being minimum was considered in IMFL segment i.e. 75 degree under proof spirit vide Gazette Notification No. 178/2014/353 dated 1 June 2015. Further, to produce one case of 750 ml of 12 bottles IMFL, 4.02 BL of ENA/Spirit required for standard strength (i.e. 68 degree over proof) vide Gazette Notification No. EX. 176/2016/22 dated 27 December 2016

advalorem levy involved with that of stock of ENA and Spirit had not crossed the bond limit. Thus, failure of the SE to detect the ad-valorem levy involved in closing stock of manufactured ENA and Spirit in the warehouse attached with the distillery crossed revenue involvement of rupees one crore which resulted in short realisation of bonded warehouse licence fee of ₹ 11 lakh<sup>66</sup>.

The matter was referred to the Government/Department in July 2018.

The Additional Secretary to the GoA, Excise Department stated (5 November 2018) that distillery licence itself holds a warehouse licence for storage of ENA for which ₹ 50 lakh was paid as distillery licence fee and a separate bonded warehouse licence was obtained by mistake by the licensee. The reply was not tenable as the licence was sanctioned by the GoA and granted by the CE on receipt of the application of the licensee and on thorough verification and inspection and after obtaining a clearance from the District Collector.

During the exit meeting (14 November 2018), the ACE, Assam intimated that the Distillery did not execute any Bond for the warehouse attached to the Distillery and assured that realisation will be made for balance amount of Bonded Warehouse Licence fees as per prescribed rate for the years 2015-16 and 2016-17. Further, ACE, Assam stated that the matter will be discussed with the CE, Assam so that the value of Bond to be executed by the distiller considering the volume of business as per Rule 4 of the AD Rules, 1945 and Rule 501 of the AE Rules, 2016. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Kamrup to take further necessary action. Further development was awaited (December 2018).

***Recommendation: The department may make a provision in the statement of production, issue and stock to certify by the licensee that the ad-valorem levy involved in the stock did not cross the bond limit of the licence during the month and action may be initiated against the official whose negligence led to short realisation of revenue.***

**3.4.4** Scrutiny of records of SE, Kamrup showed that out of 13 bottling plants, two bottling plants, viz. M/s. Nilachal Distillery Pvt. Ltd. and M/s. Gitika Bhattacharjya Bottling Plant did not pay their annual licence fees for the years 2014-15 to 2017-18. This resulted in non-realisation of annual licence fees from two bottling plants to

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(Amount in ₹)							
Year	Date on which closing balance of stock of ENA and Spirit considered for calculation of bond limit	Quantity of stock of ENA and Spirit (in BL)	IMFL could be manufactured with the stock of ENA and Spirit (column (3)/4.02 BL) (in cases)	Ad-valorem levy involved (column (4) X ₹ 815 per case for General Brand)	Amount of bonded warehouse licence fee to be paid	Amount of bonded warehouse licence fee paid	Short realisation of bonded warehouse licence fee
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2015-16	31 March 2016	62,530	15,554.73	1,26,77,104	10,00,000	4,50,000	5,50,000
2016-17	31 March 2017	7,58,015	1,88,560.95	15,36,77,174	10,00,000	4,50,000	5,50,000
<b>Total</b>							<b>11,00,000</b>



the tune of ₹ 1.34 crore<sup>67</sup>. Audit observed that there was deficiency in internal control, as the SE, Kamrup did not maintain licence register<sup>68</sup> relating to licences issued by him. Further, no demand, collection and balance register was maintained in the office for keeping a watch on revenue due and actual collection. The SE neither raised demand for realisation of arrear licence fees nor cancelled the licences as per Rules 39 and 40 of the ABW Rules, 1945 and Rule 343 of the AE Rules, 2016.

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the Secretary and the Additional Secretary to the GoA, Excise Department instructed the ACE, Assam and the SE, Kamrup to act immediately. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Kamrup to take further necessary action to realise the fees. Further development was awaited (December 2018).

Audit has noticed non-realisation and short realisation of licence fees on verification of the records of one unit office out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

**Recommendation: The Department may evolve a mechanism to prepare a database of all licensee of all unit offices of the State so as to ensure that no licensee function without renewal of licence and action may be initiated against the erring official for short realisation of annual licence fees.**

### 3.5 Security deposit realised at pre-revised rate

**Short realisation of security deposit of ₹ 71.05 lakh against distillery and brewery licensees as the SE failed to realise the same at revised rate**

[SE, Kamrup, Guwahati; June - October 2017]

As per the AE Rules, 2016<sup>69</sup>, distillers/brewers are required to renew their licences annually as well as to furnish security for the due performance of the conditions

Name of the licensee	Kind of licence	Licence fees outstanding (Amount in ₹)			
		2014-15	2015-16	2016-17	2017-18
M/s. Nilachal Distillery Pvt. Ltd.	Compounding & Blending of IMFL	1,50,000	3,00,000	3,00,000	3,00,000
	Reduction & Bottling of IMFL	1,50,000	3,00,000	3,00,000	3,00,000
	IMFL bonded warehouse (ad-valorem levy on stock of ENA lying with the bottling plant crossed bond limit of ₹ 1 crore)	5,00,000	9,16,666	10,00,000	10,00,000
	IMFL wholesale	2,00,000	5,00,000	5,00,000	5,00,000
	<b>Sub-Total</b>	<b>10,00,000</b>	<b>20,16,666</b>	<b>21,00,000</b>	<b>21,00,000</b>
	<b>Total (A)</b>	<b>72,16,666</b>			
M/s. Gitika Bhattacharjya Bottling Plant	Compounding & Blending of IMFL	1,50,000	3,00,000	3,00,000	3,00,000
	Reduction & Bottling of IMFL (having bond limit of ₹ 1 crore)	1,50,000	3,00,000	3,00,000	3,00,000
	IMFL bonded warehouse	2,50,000	6,66,666	7,50,000	7,50,000
	IMFL wholesale	2,00,000	5,00,000	5,00,000	5,00,000
	<b>Sub-Total</b>	<b>7,50,000</b>	<b>17,66,666</b>	<b>18,50,000</b>	<b>18,50,000</b>
	<b>Total (B)</b>	<b>62,16,666</b>			
<b>Grand Total (A+B)</b>		<b>1,34,33,332</b>			

<sup>68</sup> As per Executive Instruction No. 255 of the Assam Excise Act, 1910

<sup>69</sup> Gazette Notification No. Ex. 138/2015/99 dated 1 September 2016

subject to which a licence is granted and amount of security deposit may be fixed at fifty *per cent* of the licence fee or more according to the volume of business. In case of any breach of condition of licence under the AE Rules, it shall be incumbent on the part of the Commissioner of Excise to realise all sums due to the State Government from security deposit made by the distillers/brewers and to cancel the licence. Further, security deposit will be refunded towards the end of the year or may be transferred at the licensee's request to the next year.

Scrutiny of records of a distillery and two breweries under SE, Kamrup showed that the licensees had deposited the amount of ₹ 0.20 lakh as security at pre-revised rate instead of applicable rate of ₹ 71.25 lakh during the year 2017-18. This resulted in short realisation of security deposit of ₹ 71.05 lakh<sup>70</sup>. No step was taken by the SE, Kamrup to realise the security deposit at revised rate while licences were renewed for the year 2017-18 as per provisions of the AE Rules, 2016.

The matter was referred to the Government/Department in July 2018.

The Additional Secretary to the GoA, Excise Department while accepting (5 November 2018) the audit observation stated that the matter was duly scrutinised and it was observed that the said distiller and brewer deposited security deposit at pre-revised rate. It was also stated that steps had been taken and the distiller and brewer had already been directed by the SE, Kamrup to deposit the balance amount of security deposit at revised rate as per the AE Rules, 2016.

During the exit meeting (14 November 2018), the ACE, Assam accepted that there was lapse on the part of the Department and instructed the SE, Kamrup to realise the Security Deposit immediately from the licensees. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Kamrup to take further necessary action. Further development was awaited (December 2018).

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Name of the Distillery/Brewery	Annual licence fee paid for the year 2017-18 for				Total annual licence fee paid for the year 2017-18	Amount of security deposit realisable at revised rate (calculated at the minimum, i.e. 50 per cent of total licence fee)	Amount of security deposit realised at pre-revised rate	Short realisation of security deposit
	Distillery licence	Brewery licence	Bottling licence	Bonded warehouse licence				
(1)	(2)	(3)	(4)	(5)	(6) = (2) + (3) + (4) + (5)	(7) = (6) x 50%	(8)	(9) = (7) - (8)
M/s. Brahmaputra Biochem Pvt. Ltd.	50,00,000	--	--	4,50,000	54,50,000	27,25,000	10,000	27,15,000
M/s. Master (India) Brewing Company	--	30,00,000	4,00,000	10,00,000	44,00,000	22,00,000	5,000	21,95,000
M/s. Rhino Agencies Ltd.	--	30,00,000	4,00,000	10,00,000	44,00,000	22,00,000	5,000	21,95,000
<b>Total</b>						<b>71,25,000</b>	<b>20,000</b>	<b>71,05,000</b>

Audit has noticed the realisation of Security Deposit at pre-revised rate on verification of the records of one unit office out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

**Recommendation: The Department may direct all the SsE not to accept licence renewal application without security deposit at revised rate as per the AE Rules, 2016.**

### 3.6 Non-renewal of brand names and label of potable IMFL

**Excise Department failed to renew brand names and label of potable IMFL which resulted in non-realisation of renewal fee of ₹ 19 lakh**

[CE, Assam, Guwahati; May – June 2017]

As per the AE (Amendment) Rules, 1997<sup>71</sup> and the AE Rules, 2016<sup>72</sup>, manufacturers/bottling plants shall register brand names and label of potable IMFL with the CE, Assam and shall renew annually on payment of fee as shown in table below:

**Table 3.3**  
**Annual renewal fee**

Category of brand names and label	Annual Renewal fee (Amount in ₹)	
	w.e.f. 21 March 1997	w.e.f. 1 September 2016
Whisky, rum or brandy	15,000	1,00,000
Wine, vodka, liqueurs, gin, champagne, cordials and other similar potable alcohol preparations	10,000	50,000

Further, the CE, Assam shall maintain an up-to-date record of all brand names and label registered by him under these Rules.

Scrutiny of records showed that the CE, Assam did not maintain an up-to-date record of all brand names and labels registered with them. Out of the 18 bottling plant in the State audit test checked the records related to one bottling plant. It was observed that out of 26 brand names, 23 brand names and label in respect of Radiant Manufacturers Pvt. Ltd., Khatkhati, Karbi Anglong were renewed only upto 2015-16<sup>73</sup>. However, the same were not renewed during the year 2016-17, as a result, of which there was non-realisation of renewal fee of ₹ 19 lakh as shown in **Appendix - XIII**.

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the ACE, Assam assured that realisation of 23 brand names and label will be made as early as possible as pointed out by Audit and now onwards, order will be issued to the manufacturers to renew their brand names and label till the all stocks of manufactured goods is exhausted in the market. Accordingly, the ACE, Assam directed (27 November 2018) the SE,

<sup>71</sup> Notification No. Ex.39/95/3 dated 21 March 1997

<sup>72</sup> Notification No. Ex.138/2015/99 dated 1 September 2016

<sup>73</sup> Brand names and label were renewed for the year 2015-16 vide Order No.169/2010-2011/317 dated 13 August 2015.

Karbi Anglong to carry out physical verification of stock of 23 brands in respect of M/s. Radiant Manufacturers Pvt. Ltd., Karbi Anglong to ascertain the facts. Further development was awaited (December 2018).

Audit has noticed non-renewal of brand names and level of potable IMFL on verification of the records of one unit office out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

### **3.7 Establishment charges not realised**

**SE failed to realise establishment charges of ₹ 18.57 lakh from two licensees against which an amount of ₹ 5.38 lakh was realised from one licensee**

**[SE, Kamrup, Guwahati; June - October 2017]**

Rule 7 of ABW Rules, 1965, provides that the CE shall appoint such Excise Officers and establishment as he thinks fit to the charge of the bonded warehouse. The licensee shall pay to the State Government at the end of each calendar month, such establishment charges as may be determined from time to time by the CE. The cost of establishment shall include pay and allowances, if any, as well as leave salary and pension contribution. Further, the CE in December 2009<sup>74</sup> instructed all SE to realise the establishment charges of the officers and staff posted in bonded warehouses, bottling plants and breweries etc., and to certify, payment of establishment charges by the respective licensees, mentioning the month up to which the same was realised, while forwarding their applications for import, transport and export permits from this end.

Out of 13 bottling plant under SE, Kamrup, audit test checked the records related to five bottling plants and noticed that five excise personnel were posted<sup>75</sup> in two bottling plants during the period between May 2014 and March 2017 against which licensees owed ₹ 18.57 lakh as establishment charges as shown in **Appendix - XIV**. Further, Audit noticed that demand notices were either issued irregularly or not issued during the said period to the licensees concerned for making payment of establishment charges. The SE, Kamrup forwarded applications of import/transport permit of licensees concerned, in violation of CE's order in December 2009 as establishment charges remained outstanding. Further, no demand, collection and balance register was maintained in the office of SE, Kamrup for keeping a watch on revenue due and actual collection.

The matter was referred to the Government/Department in July 2018.

The Additional Secretary to the GoA, Excise Department while accepting (5 November 2018) the audit observation stated that licensee M/s. Pragati Liquor/ J. D. Venture Pvt. Ltd. deposited the pending establishment charge of ₹ 5.38 lakh in August 2018. However, it was noticed that the SE, Kamrup issued demand of

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<sup>74</sup> Letter No. III-15/2006-07/Pt/148 dated 10 December 2009

<sup>75</sup> M/s. Pragati Liquor / J D Venture Pvt. Ltd. and M/s. Manglam Distillers & Bottling Industries

₹ 11.78 lakh on pending establishment charges against actual demand of ₹ 13.19 lakh on 10 August 2018 to M/s. Manglam Distillers & Bottling Industries for the period from March 2016 to November 2016. In reply to the demand, licensee assured that pending amount would be deposited within the current financial year, i.e. 2018-19. The reply of the Additional Secretary was also silent about the non-issuance of demand of establishment charges for the month of March 2017 by the SE, Kamrup.

During the exit meeting (14 November 2018), the ACE, Assam accepted that there was lapse on the part of the SE, Kamrup and directed the SE, Kamrup to realise the balance dues in full from M/s. Manglam Distillers & Bottling Industries as pointed out by Audit. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Kamrup to take further necessary action. Further development on recovery of balance amount of ₹ 13.19 lakh was awaited (December 2018).

Audit has noticed failure of the SE to realise establishment charges on verification of the records of one unit office out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

***Recommendation: The State Government may instruct the Department to realise the establishment charges of the officers and staff posted in bonded warehouses, bottling plants, distilleries and breweries etc., every month in time in the interest of State revenue prior to issuance of import, transport and export permits to the licensees.***

### **Bonded Warehouse/Retail ‘OFF’/‘ON’ Shop**

#### **Bonded Warehouse**

### **3.8 Loss of government revenue due to irregular remission of excise duty**

#### **Loss of revenue of ₹ 1.11 crore due to failure of the Excise Department to realise the duty coupled with wrong interpretation of Executive Instructions**

**[SE, Jorhat and North Lakhimpur, September 2016 and November 2017]**

Rule 28 of the Assam Bonded Warehouse (ABW) Rules, 1965 provides that a licensee of a bonded warehouse, who has imported or transported spirit (other than country spirit) under a bond for payment of duty, shall pay duty to government, at the prescribed rates on the quantity of spirits in bottles or in any vessel received in the warehouse and also for absence of the quantity of the spirit detected at the time when the spirit is measured, gauged and proved for removal.

Rule 43 of the ABW Rules provides that if spirits stored in a bonded warehouse are found to be of inferior quality or otherwise unsuitable for the purpose for which they

were stored, they may be rejected or destroyed or otherwise dealt with under the orders of the CE. However, Rule 32 of the ABW Rules specifically mentions that the State Government shall not be held responsible for the destruction, loss or damage of any spirits stored in warehouse by fire or by any other cause whatever. Further, as per Executive Instruction No. 229 under the Assam Excise Act, 1910, the CE is authorised to sanction the remission of irrecoverable excise revenue.

Out of 45 Units offices in the State, audit selected 14 unit offices (31 per cent). Out of 14 test checked units offices audit noticed in two unit offices i.e. SE, Jorhat and North Lakhimpur, the CE, Assam ordered the disposal/destruction of sedimented/unsuitable unfit quantity of 68,823.13 Bulk Litre (BL) of IMFL and 67,805.40 BL of beer involving chargeable excise duty of ₹ 1.11 crore<sup>76</sup> of two bonded warehouses on 8 September 2015 and 31 May 2016 respectively out of eight under SE, Jorhat and North Lakhimpur. Accordingly, the officers-in-charge of two bonded warehouses, informed the CE, Assam on 5 November 2015 and 13 July 2016 respectively that his order of destruction of aforesaid quantity of IMFL had been carried out. Audit observed that excise duty of ₹ 1.11 crore chargeable under Rule 28 of the ABW Rules was not realised in view of remission allowed in August 2016 by the CE, Assam quoting Executive Instruction No. 229. However, as excise duty is leviable on the quantity received in store irrespective of any further loss on account of damage and destruction, treating such revenue irrecoverable does not fall under the excise Rules, and ₹ 1.11 crore is recoverable.

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the ACE, Assam stated that action will be taken to realise the dues as early as possible. The Secretary to the Government of Assam, Excise Department directed the ACE, Assam to initiate early action and to issue demands and realise the dues from the Bonded Warehouses as early as possible. Accordingly, the ACE, Assam directed (27 November 2018) the SEs, Jorhat and North Lakhimpur to take further necessary action. Status on recovery was awaited (December 2018).

Audit has noticed irregular remission of excise duty on verification of the records of 14 unit offices out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

<sup>76</sup>

Name of the SE	Name of the Bonded Warehouse	Destruction order No. and date	Remission order No. and date	Type of liquor	Quantity (in BL)	Amount involved as per remission orders (Amount in ₹)
SE, Jorhat	M/s. Ajoy Dutta Bonded Warehouse	No.III-07/2015-2016 dated 8 September 2015	No.III-07/2015-2016/28 dated 31 August 2016	IMFL	68,823.13	74,63,688
SE, North Lakhimpur	M/s. M.H. Hazarika Bonded Warehouse	No. III-402/2015-16/19 dated 31 May 2016	No. III-402/2015-16/25 dated 30 August 2016	Beer	67,805.40	36,51,060
<b>Total</b>						<b>1,11,14,748</b>

**Recommendation:** The State Government may instruct the Department to allow remission of excise duty with the prior approval of the Government to avoid loss of State revenue.

### 3.9 Bonded warehouse licence fee collected at pre-revised rate

**Collection of licence fee of bonded warehouse at lower/pre-revised rate in respect of 26 bonded warehouse licensees resulted in short realisation of ₹ 1 crore**

[SE, Kamrup and Jorhat; June – October 2017 and September 2016]

Rule 67 of AE Rules, 1945 provides that immediately after the bottles have been filled up they shall be corked, capsuled and labelled and taken/shifted to the store room for bottled liquor.

Rule 5 of ABW Rules, 1965 provides that an applicant of a bonded warehouse shall execute a hypothecation deed in the form prescribed in these rules pledging the warehouse with the stock of foreign liquor therein for the due discharge of all payments which may become due to the State Government by way of duty, fees, rents, fines, penalties or otherwise under the provisions of his licence or to which the applicant may be liable by law or rules or under any agreement or bond into which he may have entered. The amount given in the bond is termed as ‘bond limit’ and the hypothecation deed of an equal amount is to be executed.

Rule 6 of ABW Rules, 1965 provides that the licence for a bonded warehouse may be renewed annually at the discretion of the government. From 1 June 2015, the bonded warehouses were required to pay licence fee at enhanced rate depending upon the bond limits as shown in the table below:

**Table 3.4**

#### Annual licence fee

Bond limit	Amount of annual licence for a bond warehouse licence (₹ in lakh)	
	w.e.f. 1 April 2011 <sup>77</sup>	w.e.f. 1 June 2015 <sup>78</sup>
Upto ₹ 50 lakh	1.50	4.50
From ₹ 50 lakh and one to ₹ 1 crore	2.50	7.50
From ₹ 1 crore and one and above	5.00	10.00

**3.9.1** Scrutiny of records of Bottling Plants under the SE, Kamrup showed that nine out of 13 bottling plants licensees paid their licence fee of bonded warehouse licences attached with bottling plants at pre-revised rate for the year 2015-16. This

<sup>77</sup> No.EX.340/2001/Pt-III/329 dated 29 September 2010

<sup>78</sup> No. EX.178/2014/348 dated 1 June 2015

resulted in short realisation of licence fee of bonded warehouse of ₹ 32.50 lakh for the year 2015-16 from nine bottling plant licensees as the SE, Kamrup failed to comply with the provisions of the Assam Bonded Warehouse (Amended) Rules, 1965 *w.e.f.* 1 June 2015. The details are given in following table.

**Table 3.5**  
**Short realisation of licence fee**

(Amount in ₹)

Sl. No.	Name of Bottling Plant	Bond Limit	Licence Fees Payable for the year 2015-16	Licence Fees Paid for the year 2015-16	Short realisation of Licence Fees
1.	M/s. Karnak Distillery Pvt. Ltd.	₹ 2 crore	9,16,666 <sup>79</sup>	5,00,000	4,16,666
2.	M/s. North East Distillery Pvt. Ltd.	₹ 2 crore	9,16,666	5,00,000	4,16,666
3.	M/s. Spey Bottlers Pvt. Ltd.	₹ 12 crore	9,16,666	5,00,000	4,16,666
4.	M/s. Seven Sisters Trade & Distilleries Pvt. Ltd.	₹ 2 crore	9,16,666	5,00,000	4,16,666
5.	M/s. Manglam Distillers & Bottling Industries	₹ 5 crore	9,16,666	5,00,000	4,16,666
6.	M/s. Aroma India Pvt. Ltd.	₹ 2 crore	9,16,666	5,00,000	4,16,666
7.	M/s. Rooby Spirits Pvt. Ltd.	₹ 50 lakh	4,00,000 <sup>80</sup>	1,50,000	2,50,000
8.	M/s. Shiva Beverages Pvt. Ltd.	₹ 50 lakh	4,00,000	1,50,000	2,50,000
9.	M/s. Indo Assam Distillery & Bottling Pvt. Ltd.	N/A	4,00,000	1,50,000	2,50,000
<b>Short realisation of bonded warehouse licence fees for the year 2015-16</b>					<b>32,49,996</b>

It was further observed that a bottling plant *viz.* M/s. Centenary Distillery Pvt. Ltd. had already paid the bonded warehouse licence fee of ₹ 9.17 lakh at revised rate on pro-rata basis *w.e.f.* 1 June 2015 for the year 2015-16.

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the SE, Kamrup assured that realisation of balance amount of licence fee will be made as early as possible from all the bottling plants as pointed out by Audit. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Kamrup to take further necessary action. Status on recovery was awaited (December 2018).

***Recommendation: The department may instruct all the SsE to adhere with the provisions of Act and Rules as and when amendment came into force.***

**3.9.2** Scrutiny of records of bonded warehouses of SE, Kamrup showed that out of 17 bonded warehouse licensees, 13 licensees paid their licence fee of bonded warehouses at pre-revised rate for the year 2015-16. This resulted in short realisation of licence fees of ₹ 50.83 lakh from 13 licensees as shown in **Appendix - XV (A)**.

<sup>79</sup> Bonded Warehouses Licence Fees for the period April - May 2015 at old rate of ₹ 5,00,000 = ₹ 83,333 and for the rest of the period from June 2015 to March 2016 = ₹ 8,33,333 (pro-rata of ₹ 10,00,000 payable as annual licence fees at revised rate).

<sup>80</sup> Bonded Warehouses Licence Fees for the period April - May 2015 at old rates ₹ 1,50,000 = ₹ 25,000 and for the rest of the period from June 2015 to March 2016 = ₹ 3,75,000 (pro-rata of ₹ 4,50,000 payable as annual licence fees at revised rate).



It was further observed that three bonded warehouses (*viz.* M/s. Paradise Bonded warehouse, M/s. Pernod Ricard India (P) Ltd. Bonded Warehouse and M/s. United Spirits Ltd. Bonded Warehouse) under the jurisdiction of SE, Kamrup had already paid their licence fees of ₹ 9.17 lakh each at revised rate on pro-rata basis *w.e.f.* 1 June 2015 for the year 2015-16.

Similarly, scrutiny of records of SE, Jorhat showed that four bonded warehouse licensees had paid licence fee at lower rate for the year 2016-17. This resulted in short realisation of licence fees of ₹ 16.67 lakh from four licensees as the SE, Jorhat failed to comply with the provisions of the Assam Bonded Warehouse (Amended) Rules, 1965 *w.e.f.* 1 June 2015. as shown in **Appendix - XV (B)**.

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the SE, Kamrup assured that realisation of balance amount of licence fee will be made as early as possible from all the bonded warehouses as pointed out by Audit. Further, the SE, Jorhat also informed the Secretary and the Additional Secretary to the GoA, Excise Department that demand notices were issued to all the four bonded warehouses as pointed out by Audit. The Additional Secretary to the GoA, Excise Department instructed the SE, Jorhat to realise immediately without any delay. Accordingly, the ACE, Assam directed (27 November 2018) the SEs, Kamrup and Jorhat to take further necessary action. Status on recovery was awaited (December 2018).

Audit has noticed collection of bonded warehouse licence fee at pre-revised rate on verification of the records of two unit offices out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

***Recommendation: The Department may instruct all the SsE to adhere with the provisions of Act and Rules as and when amendment came into force.***

### **3.10 Annual licence fees of bonded warehouse licence and wholesale licence not realised from a bonded warehouse licensee**

**Non-realisation of licence fees of bonded warehouse and wholesale licences to the tune of ₹ 9.50 lakh from a Bonded Warehouse licensee**

**[SE, Kamrup, Guwahati; June - October 2017]**

A bonded warehouse cum wholesale establishment has to procure and renew two kinds of licences *i.e.* (i) Bonded warehouse licence, (ii) Wholesale licence. The AE Rules, 1945 provide that the licensees of wholesale bonded warehouse are required to pay annual fee in advance for renewal of their licences as shown in the table below:

**Table 3.6**  
**Rate of licence fees**

Kind of licence	Bond limit <sup>81</sup>	Amount of annual licence fee (₹ in lakh)	Effective date of notification
Bonded warehouse licence	Upto ₹ 50 lakh	4.50	1 June 2015 <sup>82</sup>
	From ₹ 50 lakh and one to ₹ 1 crore	7.50	
Wholesale licence <sup>83</sup>	--	5.00	13 August 2015 <sup>84</sup>

Scrutiny of records of one out of 12 bonded warehouse namely M/s. Bless Project Bonded Warehouse under SE, Kamrup showed that bonded warehouse licence with bond limit of ₹ 50 lakh and a wholesale licence were sanctioned<sup>85</sup> for the year 2015-16 for which licence fee of ₹ 9.50 lakh was paid. However, for renewal<sup>86</sup> of bonded warehouse licence fee of ₹ 4.50 lakh and wholesale licence fee of ₹ 5 lakh for the year 2016-17 was not realised by the SE, Kamrup.

Audit observed that there was deficiency in internal control, as the SE, Kamrup did not maintain a licence register<sup>87</sup>. Further, no demand, collection and balance register was maintained in the office for keeping a watch on revenue due and actual collection.

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the Secretary to the GoA, Excise Department directed the SE, Kamrup to issue demand notice to the licensee for payment of licence fees for the year 2016-17 and asked the reason for awarding such undue benefit to the licensee. Further development was awaited (December 2018).

Audit has noticed non-realisation of annual licence fees of bonded warehouse and wholesale licencees on verification of the records of one unit office out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

***Recommendation: The department may ensure that no licensee function without renewal of licence and also may initiate action against the official for non-realisation of annual licence fees.***

<sup>81</sup> The amount given in the bond is termed as 'bond limit' and the hypothecation deed of an equal amount is to be executed

<sup>82</sup> No. EX.178/2014/348 date 1 June 2015

<sup>83</sup> Wholesale licence – the holder of a licence can sale foreign liquor to retailers

<sup>84</sup> No. EX.178/2014/365 dated 13 August 2015

<sup>85</sup> No. III-337/2015-2016/60-A dated 19 February 2016

<sup>86</sup> No. EX 17/2016/87 dated 26 July 2016

<sup>87</sup> As per Executive Instruction No. 255 of the Assam Excise Act, 1910 relating to licences issued by him

### 3.11 Godown wastage allowed in excess of permissible limit

**Godown wastage allowed in excess of permissible limit on which excise duty of ₹ 29.18 lakh was not realised by the SEs. Against this an amount of ₹ 16.76 lakh was reported realised from two licensees after audit observation**

[SE, Kamrup and Sivasagar; June - October 2017 and September 2016]

As per the ABW Rules, 1965<sup>88</sup>, warehouses shall pay duty on any wastage beyond the maximum permissible limit of wastage of one *per cent*. Further, as per the Assam Gazette (Extraordinary) notification of June 2015<sup>89</sup>, the excise duty was prescribed on different brands of IMFL and beer.

Scrutiny of records of SE, Kamrup and Sivasagar showed that during the quarter endings falling between June 2013 and September 2016, out of 20 bonded warehouses, three bonded warehouses<sup>90</sup> claimed godown wastage of 37,584.33 London Proof Litre (LPL) IMFL and 11,574.25 Bulk Litre (BL) beer against the admissible wastage<sup>91</sup> of 15,261.70 LPL IMFL and 4,556.89 BL beer. The fact that the licensee claimed excess and inadmissible wastage of 22,322.63 LPL IMFL and 7,017.36 BL beer which escaped the notice of the SE. This led to non-realisation of excise duty of ₹ 29.18 lakh as shown in **Appendix – XVI**.

The matter was referred to the Government/Department in July 2018.

The Additional Secretary to the GoA, Excise Department stated (5 November 2018) that the SE, Kamrup directed the licensee M/s. Paradise Bonded Warehouse Pvt. Ltd., Kamrup, Guwahati to deposit ad-valorem levy/excise duty on excess godown wastage as pointed out by Audit and in compliance, the said licensee deposited ₹ 11.67 lakh on 5 August 2018. In case of M/s. RBS Bonded Warehouse, Sivasagar, the Additional Secretary stated that the licensee deposited ad-valorem levy/excise duty of ₹ 5.09 lakh on 6 September 2018 on excess godown wastage as per re-verification of stock position reported by the SE, Sivasagar. The Additional Secretary further stated that excise duty on excess godown wastage against M/s. DPM Baruah Bonded Warehouse, Sivasagar could not be made due to suspension of licence. Accordingly, the ACE, Assam directed (27 November 2018) the SEs to take further necessary action. Further development on recovery of balance of amount of ₹ 12.42 lakh was awaited (December 2018).

Audit has noticed irregular allowance of godown wastage by SEs on verification of the records of two unit offices out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

<sup>88</sup> Assam Gazette (Extraordinary) Notification no. EX.340/2001/Pt.III/104 dated 18 March 2005.

<sup>89</sup> Assam Gazette (Extraordinary) Notification no. EX. 178/2014/353 dated 1 June 2015.

<sup>90</sup> M/s. Paradise Bonded Warehouse Pvt. Ltd., Kamrup, Guwahati, M/s. RBS Bonded Warehouse, Sivasagar and M/s. DPM Baruah Bonded Warehouse, Sivasagar

<sup>91</sup> Calculated at one *per cent* of the closing stock of 15,26,170.45 LPL IMFL and 4,55,689.32 BL beer.

**Recommendation:** *The Department may direct the all SsE to verify godown wastage and realise the excise duty on excess godown wastage, if any, immediately upon submission of quarterly stock position by the licensees.*

### 3.12 Failure to detect concealment of stock

**SE failed to detect the concealment of stock by a bonded warehouse which resulted in evasion of payment of ₹ 9.42 lakh against which an amount of ₹ 5.22 lakh was realised**

[SE, Karimganj; March 2017]

Rule 19 of ABW Rules, 1965 provides that on arrival of a consignment at the bonded warehouse, the officer-in-charge shall open the consignment and enter into the stock register of the bonded warehouse after verifying the same with the passes (*i.e.* transport passes) covering the consignment.

Rule 37 of the ABW Rules, 1965 provides that the SE or the officer-in-charge of the bonded warehouse shall take stock of all spirits in the warehouse on the last day of March, June, September and December in each year. Further, as per government notification of June 2015<sup>92</sup>, minimum ad-valorem levy on cost price of beer was ₹ 300 per case.

Cross check of the monthly receipts and issue statement of March 2016 with stock verification report of Inspector of Excise (Sadar), Karimganj of IMFL, beer and wine for the period between January 2016 and March 2016 of M/s. Surma Bonded Warehouse, under SE, Karimganj, it was noticed that 1,741 cases beer was short accounted during verification of stock. No action was, however, taken by the SE to realise the ad-valorem levy and VAT on concealment of stock. This resulted in evasion of ad-valorem levy of ₹ 5.22 lakh and VAT of ₹ 4.20 lakh. The details are given in the following table.

**Table 3.7**  
**Evasion of Ad-valorem levy**

(Amount in ₹)

Closing stock of beer as per monthly receipts and issue statement (in BL)	Closing stock of beer as per monthly receipts and issue statement (in cases)	Stock of beer found during physical verification by Inspector of Excise (Sadar), Karimganj (in cases)	Difference of stock between monthly receipts and issue statement and physical verification (in cases)	Ad-valorem levy involved {column (4) X ₹ 300 per case on beer (minimum ad-valorem levy)}	VAT involved {VAT ₹ 241.20 per case on beer (whose ad-valorem levy was ₹ 300 per case) as calculated by Inspector of Taxes, Guwahati Unit B in another bonded warehouse}	Total revenue involved
(1)	(2) = col.(1)/7.8 BL	(3)	(4) = col.(2) – col.(3)	(5)	(6) = col.(4) X ₹ 241.20 per case	(7) = col.(5) + col.(6)
20,731.65	2,658	917	1,741	5,22,300	4,19,929	9,42,229

The matter was referred to the Government/Department in July 2018.

<sup>92</sup> No. EX. 178/2014/353 dated 1 June 2015.

The Additional Secretary to the GoA, Excise Department stated (5 November 2018) that the SE, Karimganj had issued demand letter to M/s. Surma Bonded Warehouse for immediate payment of ad-valorem levy of ₹ 5.22 lakh and VAT of ₹ 4.20 lakh and accordingly, the licensee deposited ad-valorem levy of ₹ 5.22 lakh on 15 September 2018 leaving a balance amount of ₹ 300. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Karimganj to take further necessary action. However, balance amount of ad-valorem levy of ₹ 300 and VAT of ₹ 4.20 lakh was awaited (December 2018).

Audit has noticed concealment of stock on verification of the records of one unit office out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

**Recommendation: The State Government may advise the Excise Department to impose penalty for non-payment of fee payable to the Government as per Rule 342 of the Assam Excise Rules, 2016.**

### Retail ‘OFF’/‘ON’ Shop

#### 3.13 Annual licence renewal fees of retail ‘OFF’/‘ON’ licence not realised

**SE failed to realise annual licence renewal fees of retail ‘OFF’/‘ON’ licences amounting to ₹ 80 lakh from 18 licensees**

[SE, Kamrup; June – October 2017]

Rule 244 of the AE Rules, 1945 provides that a retail ‘OFF’<sup>93</sup>/‘ON’<sup>94</sup> licensee required to pay annual licence fees in advance, before the commencement of the financial year at the rate prescribed by the government from time to time. The rates of licence fee were revised from time to time as shown in the following table.

**Table 3.8**  
Rate of ‘OFF’/ ‘ON’ licence fees

Type of retail licence	Amount of annual licence fee (₹ in lakh)	Effective date of notification
‘ON’	0.50	1 April 2011 <sup>95</sup>
‘ON’	2.50	13 August 2015 <sup>96</sup>
‘OFF’	3.00	
‘ON’	2.50	1 April 2017 <sup>97</sup>
‘OFF’	2.00	

<sup>93</sup> Retail ‘OFF’ licence – where IMFL/beer can be sold but cannot be consumed in the premises of the licensee

<sup>94</sup> Retail ‘ON’ licence – where IMFL/beer can be sold and can be consumed in the premises of the licensee

<sup>95</sup> No. EX.340/2001/Pt-331 dated 29 September 2010

<sup>96</sup> No. EX.178/2014/365 dated 13 August 2015

<sup>97</sup> No. EX.176/2016/22 dated 27 December 2016

Further, as per Instruction No. 255 of the Assam Excise Act, 1910 and Rule 450 of the AE Rules, 2016, the Superintendent of Excise (SE) shall also maintain register of licences relating to licences issued by him.

Scrutiny of records of the SE, Kamrup showed that out of 483 retail 'OFF'/'ON' licensees, 18 (3.73 *per cent*) retail 'OFF'/'ON' licensees did not pay their annual renewal licence fees for the years between 2014-15 and 2017-18. All the licensees neither paid the licence fees of ₹ 80 lakh nor was any demand raised by the SE for recovery of revenue till the date of audit (October 2017). The details shown in **Appendix - XVII**. Audit observed that there was deficiency in internal control, as the SE, Kamrup did not maintain licence register as required under Executive Instruction No. 255 of the Assam Excise Act, 1910 and Rule 450 of the AE Rules, 2016 relating to licences issued by him. Further, no Demand, Collection and Balance (DCB) register was maintained in the office for keeping a watch on revenue due and actual collection.

The matter was referred to the Government/Department in July 2018.

During the exit meeting (14 November 2018), the ACE, Assam instructed the SE, Kamrup to take action against defaulting retail 'OFF'/'ON' shops and to verify and collect stock position on the day of closure of the shops. After realisation of government dues, action may be initiated to cancel the licences. The ACE, Assam stated that there was lack of control in the office of the SE, Kamrup and the records were not maintained properly. The Secretary to the Government of Assam, Excise Department directed the SE, Kamrup to maintain the records properly so that the names of defaulters can be identified easily considering the interest of revenue of the State. Accordingly, the ACE, Assam directed (27 November 2018) the SE, Kamrup to take further necessary action. Further development was awaited (December 2018).

Audit has noticed failure of the SE to realise annual licence fees of retail 'OFF'/'ON' licences on verification of the records of two unit offices out of 45 unit offices in the State. The Department should internally examine similar issues in other unit offices also.

***Recommendation: The State Government may advise the Excise Department to maintain Demand, Collection and Balance (DCB) Register in all unit offices in respect of retail 'OFF'/'ON' shops licences to ensure renewal of all licences within the prescribed date and action may be initiated against the erring official for non-realisation of annual licence fees.***