

## CHAPTER- III: State Excise

### 3.1 Results of Audit

Test check of the records of the State Excise Department, conducted in audit during the year 2004-05, revealed cases of under assessments and losses of revenue amounting to Rs 39.19 crore in 1,297 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non/delayed settlement of excise shops	233	10.39
2	Non realisation of licence fee	63	2.06
3	Undue financial benefits due to unauthorised concession	3	0.03
4	Other cases	998	26.71
<b>Total</b>		<b>1,297</b>	<b>39.19</b>

During the year 2004-05, the Department accepted underassessments etc., of Rs 25.87 crore involved in 824 cases which had been pointed out in audit during 2004-05.

A few illustrative cases involving tax effect of Rs 24.66 crore are given in the following paragraphs:

### **3.2 Loss of revenue due to non settlement of excise shops**

Under the Bihar Excise Act (BE Act), 1915 and Rules framed thereunder, if excise shops notified by Government to be operated during the year are not settled through auction at the notified reserved price, the reserved price could be lowered by the Collector of the district with the approval of Commissioner. In the absence of bidders, shops are to be run departmentally in accordance with the Government of Bihar instructions of June 1995.

In 12 excise districts\*, 132 country spirits (CS), 67 spiced country spirits (SCS) and 28 India made foreign liquor (IMFL) shops remained unsettled during 2003-04. No efforts were made either to settle the shops, below the reserved price or to run the shops departmentally as required under the Act/instructions. This resulted in loss of revenue amounting to Rs 24.31 crore in the form of licence fee and excise duty leviable on the reserve price and minimum guarantee quota fixed by the Department.

After this was pointed out between May and November 2004, the Superintendent of Excise (SE), Chaibasa stated in May 2004 that proper action would be taken for settlement of shops in future. In all other cases it was stated that in spite of several efforts the shops could not be settled as no desired bidders turned up. The reply of the Department is not tenable as in the absence of bidders no efforts were made either to settle the shops below the reserved price or to run them departmentally.

The cases were reported to Government in April 2005; reply has not been received (January 2006).

### **3.3 Irregular renewal of licence for wholesale supply of country spirit**

The BE Act, provides for sanction of grant for exclusive privilege to contractor for wholesale supply of country spirit in sachets to retail licensed vendors from approved warehouses within specific area. Further, as per conditions, the licences for wholesale supply of country spirit in sachets are to be renewed after payment of all previous dues and the excise office is to keep watch over this. Failure to do so will cause cancellation of licence, forfeiture of security deposit and imposition of penalty to the extent of loss sustained by Government and the same is to be recovered as public demand under Public Demand Recovery Act, 1914 (PDR Act).

Scrutiny of records of SE, Dumka cum Jamtara, revealed in September 2004 that penalty of Rs 34.79 lakh was imposed by the Commissioner of Excise

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\* Bokaro, Chaibasa, Dhanbad, Dumka-cum-Jamtara, Gumla -cum- Simdega- cum- Lohardaga, Giridih, Godda, Hazaribag, Jamshedpur, Palamu-cum-Garhwa-cum- Latehar, Ranchi and Sahibganj-cum-Pakur.

(CE) on a sachetting contractor who was granted exclusive privilege with the direction to renew the licence after realisation of the penalty. However, the licence for wholesale supply of country spirit for the year 2003-04 was renewed for Dumka and Jamtara districts in April 2003 without realisation of penalty. This resulted in irregular renewal of licence without realisation of penalty amounting to Rs 34.79 lakh.

The matter was pointed out to Department/Government in September 2004 and April 2005; reply has not been received (January 2006).