

CHAPTER 3 : State Excise

3.01 Results of Audit

Test check of the records of the excise offices, conducted in audit during the year 2001-02, revealed under assessments and losses of revenue amounting to Rs.22.78 crore in 116 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	20	11.58
2	Non-realisation of licence fee	7	0.13
3	Other cases	89	11.07
Total		116	22.78

During the year 2001-02, the concerned department accepted under-assessments etc., of Rs.1.50 crore involved in 90 cases pointed out in audit prior to 2001-02.

A few illustrative cases involving tax effect of Rs. 9.53 crore are given in the following paragraphs: -

3.02 Settlement of excise Shops

(a) *Loss of revenue due to non-settlement of excise shop*

Under the Bihar Excise (BE) Act, 1915 and Rules framed thereunder, the licences for vend of country spirit, foreign liquor and spiced country spirit are settled annually by auction on the upset price fixed by the Collector. In case the upset price is not obtained, the collector may, at his discretion, accept a lower fee, subject to the approval of the commissioner of excise. The department also issued (June 1995) instructions to all collectors to operate the unsettled excise shops departmentally.

In 6 Excise districts¹, 103 country spirit, 8 India made foreign liquor (IMFL) and 57 spiced country liquor shops remained unsettled during the years 1999-2000 and 2000-01. No efforts were made either to settle the shops below the reserved fee or to run them departmentally. This resulted in loss of excise revenue amounting to Rs. 8.82 crore in the shape of licence fee and excise duty.

¹ Chaibasa (West Singhbhum), Daltonganj, Hazaribagh, Jamshedpur (East Singhbhum), Ranchi and Sahebganj.

On this being pointed out (between March and December 2001), the department stated (between March and December 2001), that shops could not be settled due to non-availability of bidders in spite of all efforts. The reply of the department is not tenable as in the absence of bidders no efforts were made to run the shops departmentally. Further reply has not been received (January 2004).

The cases were reported to the Government (April and May 2002); their reply has not been received (January 2004).

(b) Loss due to non-realisation of licence fee and Excise Duty on cancelled shops and their subsequent non-settlement

The BE Act, 1915 and Rules framed thereunder, provide that in settlement of excise shops, a person whose bid has been accepted at the auction must pay the sum required on account of advance fee immediately. Notification for sale stipulates that in case of settlement for whole year, the purchaser (bidder) is liable to pay six months' licence fee in advance immediately and the balance between July and December in equal monthly instalments. In case of settlement for six months or less, the entire amount of licence fee is payable in advance. If the bidders fail to pay the advance fee, his security deposit (equal to reserve price of shop) will be forfeited and any loss of revenue, due to re-settlement of the shops, will be realised as public demand from the bidder.

In Dhanbad district, 2 country spirit shops were settled for the year 2000-2001 and licences were issued on deposit of licence fee for only one month instead of six months as required. Thereafter, the licensees failed to deposit the balance amount of licence fee in addition to lift the Minimum Guaranteed Quota (MGQ) fixed. The licenses were cancelled (July 2000) and shops not settled till the end of the year by the department. This resulted in non-realisation of licence fee amounting to Rs 21.17 lakh in addition to loss of excise duty of Rs 43.05 lakh for non-lifting of MGQ of country spirit.

On this being pointed out (May 2001), the department stated (May 2001) that notices had been issued to realise the licence fee. Further reply has not been received (January 2004).

The case was reported to the Government (May 2002); their reply has not been received (January 2004).

3.03 Short realisation of revenue due to incorrect classification

The Government of Bihar, by issue of a notification in March 1997, revised annual licence fees for sale of IMFL under hotel, restaurant, bar, clubs and canteen licences based on their locations in urban or rural areas with effect from 1 April 1997.

In Excise district of Dhanbad, 6 hotels/ restaurants and bars were classified in lower categories during the year 2000-01 due to incorrect classification of location of hotels/ restaurants and bars in urban and rural areas, in addition, the license fee was realised at pre-revised rates. Hence, the licence fee amounting to Rs. 4.80 lakh was realised as against recoverable amount of Rs. 11 lakh which resulted in short realisation of licence fee of Rs. 6.20 lakh.

On this being pointed out (May 2001), the Assistant Commissioner of Excise, Dhanbad stated (May 2001) that the matter had been referred to the Excise Commissioner for necessary guidance and action would be taken accordingly. Further reply has not been received (January 2004).

The case was reported to the Government (May 2002); their reply has not been received (January 2004).