

## 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 2003-04, revealed cases of under assessments and losses of revenue amounting to Rs 50.70 crore in 898 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 | 369          | 27.40        |
| 2                 | Non-realisation of licence fee         | 113          | 00.46        |
| 3                 | Other cases                            | 416          | 22.84        |
| <b>Total</b>      |  | <b>898</b>   | <b>50.70</b> |

During the year 2003-04, the Department accepted under- assessments etc., of Rs 14.69 crore involved in 240 cases of which 82 cases involving Rs 12.05 crore were pointed out in audit during 2003-04 and rest in earlier years.

A few illustrative cases involving tax effect of Rs. 27.81 crore are given in the following paragraphs: -

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

Under the Bihar Excise (BE) Act, 1915 and the rules framed thereunder as applicable to the State of Jharkhand, if the excise shops notified by the Government to be operated during the year are not settled through auction at the notified reserve price, the reserved price could be lowered by the Department with the approval of Commissioner. In the absence of bidders, shops are to be run departmentally in accordance with the Government instruction dated June 1995.

In 11 Excise Districts<sup>1</sup> 162 country Spirit (CS), 149 Spiced Country Spirit (Sp CS) and 36 India Made Foreign Liquor (IMFL) shops remained unsettled during the year 2001-02 and 2002-03. The Department issued auction notice between February 2001 and October 2002 but the shops could not be settled on the notified reserve price. However, no efforts were made either to settle the shops below the reserved fee or to run the shops departmentally. This resulted in loss of excise revenue amounting to Rs 27.16 crore in the form of licence fee and excise duty worked out on the basis of reserved fee and annual minimum guaranteed quota (MGQ) fixed for the unsettled shops for the year 2001-02 and 2002-03.

After being pointed out, ACE Bokaro and SE Chaibasa stated that licence fee of the shops was high as such the shops were not settled. However, proposal of reduction of license fee sent to the Commissioner for approval was not received back. The reply of the authorities is not tenable as pending approval, the shops should have been operated departmentally. Reply from other excise districts was not received (April 2005).

The cases were reported to the Government in June 2004; their final reply is awaited (April 2005).

### **3.3 Loss of interest due to non-institution of certificate proceedings**

Under the provisions of the BE Act, read with the BOPDR Act, arrears of excise revenue is recoverable by charging simple interest at the rate of 12 *per cent* per annum from the date of signing of certificate till the date of realisation. However, no time limit for initiation of certificate proceedings has been specified in the BE Act. Any delay in initiating certificate proceedings has the effect of loss of interest to the Government as the provision for charging interest on belated payment covered by certificate takes effect only from the date of signing of the certificate.

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<sup>1</sup> Bokaro, Chaibasa, Dhanbad, Deoghar, Dumka, East Singhbhum (Jamshedpur), Giridih, Gumla, Hazaribagh, Palamau and Ranchi.

In six Excise districts<sup>2</sup> it was noticed that excise revenue amounting to Rs 75.07 lakh was outstanding for the period between 1990-91 and 2001-02 against the defaulters. However, the department did not initiate certificate proceedings against the defaulters till the date of audit (between August and March 2004). This resulted in loss of interest of Rs 45.04 lakh calculated for the period from 1998-99 to 2002-03 on outstanding dues due to non-initiation of certificate proceedings, besides non-recovery of excise revenue amounting to Rs.75.07 lakh.

After this was pointed out between August and March 2004, the ACE Dhanbad and four SEs stated that action was being taken to institute the certificate cases for realization of the amount, while ACE, Ranchi stated in January 2004 that action would be taken as per rules. Further reply has not been received till April 2005.

The cases were reported to the Government in June 2004; their final reply is awaited (April 2005).

### 3.4 Non-realisation of licence fee and duty

Under the provisions of BE Act, and the rules framed thereunder a person whose bid has been accepted by the Presiding Officer at the time of auction for the whole year or more than six months the purchaser (bidder) is required to pay six months advance licence fee immediately after settlement. Subsequent licence fee is payable in equal monthly instalment from July to December by 10<sup>th</sup> of each month. In case of failure/ non deposit of licence fee the settlement would be cancelled and security forfeited, debarring the purchaser from taking part in auction and efforts would be made to resettle or resale the shop with another bidders. For any loss of revenue the defaulter would be liable to makeup the loss under BOPDR Act, 1914.

- Audit scrutiny of records of the Assistant Commissioner of Excise (ACE), Ranchi revealed that six licensees of retail excise shops failed to deposit their subsequent advance licence fee between July and December during the year 2001-02 and also failed to lift the MGQ for their shops. No efforts were made for cancellation of licences and subsequent resettlement of shops to other bidders. This resulted in non-realisation of licence fee and excise duty amounting to Rs 30.14 lakh.

After this was pointed out in February 2003, the ACE, Ranchi stated that a sum of Rs 0.50 lakh has been adjusted from their security deposit. Further reply has not been received till April 2005.

The case was reported to the Government in June 2004; their reply is awaited (April 2005).

<sup>2</sup> Dhanbad, Giridih, Godda at Dumka, Palamau cum Garhwa cum Latehar, Ranchi and Sahebgunj cum Pakur.

- In three Excise districts<sup>3</sup>, the licensees of 51 CS, 14 Sp. CS and 36 IMFL shops failed to deposit subsequent amount of licence fee in full during 2001-02 and 2002-03. No action was taken to forfeit security deposit and cancel their licences. This resulted in non-realisation of licence fee amounting to Rs 29.57 lakh.

After this was pointed out between September 2002 and March 2004, the ACE, East Singhbhum (Jamshedpur) and Ranchi stated that steps would be taken to realise the dues, while SE, Sahebganj cum Pakur stated that action for realisation was being taken. Further reply has not been received till April 2005.

The cases were reported to the Government in June 2004; their final reply is awaited (April 2005).

- In East Singhbhum (Jamshedpur) district two CS shops<sup>4</sup> were settled for the year 2001-02 but the licencees did not deposit six months advance licence fee immediately after bid. The Department cancelled their licences in February 2002 and the shops remained unsettled till the end of the year. Failure of the Departments in canceling licences of the shops in time and resettle the shops to another bidders resulted in loss of revenue of Rs 5.27 lakh.

After this was pointed out in September 2002, the ACE stated in October 2004 that a sum of Rs 0.44 lakh were adjusted from their security deposits. However, the reasons for non- cancellation of license were not furnished (April 2005).

The case was reported to the Government in June 2004; their final reply is awaited (April 2005).

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<sup>3</sup> East Singhbhum (Jamshedpur), Ranchi, Sahebganj cum Pakur

<sup>4</sup> CS Jamco, CS Golmuri -1