

CHAPTER-V: STATE EXCISE

5.1 Results of audit

Test check of the records in the offices of the Excise Commissioner, Deputy Commissioner of Excise and Superintendent of Excise conducted during the year 2006-07 revealed non/short realisation and loss of revenue amounting to Rs. 25.14 crore in 1,025 cases which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1.	Loss of revenue due to non-settlement/renewal of excise shops	677	1.74
2.	Non/short realisation of excise duty/transport fee	279	23.32
3.	Other irregularities	69	0.08
Total		1,025	25.14

During the year 2006-07, the department accepted non-levy/short realisation, etc., of duty amounting to Rs. 42 lakh in 243 cases pointed out in audit in 2006-07. The department recovered Rs. 3.62 crore in 501 cases pointed out in 2006-07 and earlier years.

After issue of draft paragraphs, the department recovered Rs. 8.46 lakh pertaining to a single observation pointed out by audit during 2006-07.

A few illustrative cases highlighting important audit observations involving Rs. 82.33 lakh are discussed in the following paragraphs.

5.2 Non-realisation of excise duty due to short lifting of IMFL/beer

As per the provisions of the Orissa Excise (Exclusive Privilege) Foreign Liquor (Amendment) Rules, 1997 as amended in February 1998, every successful bidder of foreign liquor off shop²⁹ shall guarantee the sale of minimum guaranteed quantity (MGQ) of foreign liquor as fixed by the Excise Commissioner (EC), Orissa before obtaining the licence. In case of default in lifting MGQ in any month, excise duty to the extent of the deficit amount shall be collected with the licence fee of the succeeding months. In case of further deficit, the amount shall be collected at the end of the year with 10 *per cent* fine on the deficit amount.

Test check of the records of two district excise offices³⁰ in September 2006 revealed that in case of 21 licensees, the department did not raise any demand towards excise duty for short lifting of 30,826.573 LPL³¹ India made foreign liquor (IMFL) and 44,073.745 BL³² beer from April 2005 to March 2006. This resulted in non-realisation of excise duty of Rs. 40.08 lakh. Besides, fine of Rs. 4.01 lakh was also leviable.

After the cases were pointed out, the Superintendent of Excise (SE), Bolangir stated in September 2006 that action would be taken to raise demand and SE, Nayagarh stated in September 2006 that reply would be furnished after verification of records. Further reply has not been received (November 2007).

The matter was reported to the department/Government in April 2007; their reply has not been received (November 2007).

5.3 Non-raising of demand for operation of brewery beyond the prescribed time limit

As per the provisions contained in the Excise Department notification of June 2005, permission may be accorded for running of a second shift of eight hours to the distilleries/breweries/bottling units subject to the condition that the units will pay Rs. 1,000 per hour for the operation of the warehouse beyond the prescribed time limit of a single shift.

During the audit of SE, Jagatsinghpur it was noticed in June 2006 that a brewery unit³³ operated for 2,160 hours beyond the scheduled time limit during 2005-06 for which it was liable to pay an additional amount of Rs. 21.60 lakh. The unit, however, neither paid the required amount nor did

29 Places where liquor can only be sold and cannot be consumed in the premises of the shop.

30 Bolangir and Nayagarh.

31 LPL - London Proof Litre.

32 BL - Bulk Litre.

33 M/s. SKOL Breweries Ltd.

the SE raise any demand for it. This resulted in non-raising of demand of Rs. 21.60 lakh.

After the case was pointed out, the Government stated in May 2007 that demand was raised against the unit in July 2006. However, the unit paid Rs. 8 lakh as per interim order of the High Court. A report on further development has not been received (November 2007).

5.4 Short realisation of label registration fee

Under the provisions of the Board's Excise Rules (BER) 1965, all applications for approval and renewal of brands and labels of IMFL/beer shall be accompanied by such fees as may be notified by the Board of Revenue (BOR) from time to time based on the quantity of IMFL/beer supplied to the Orissa State Beverages Corporation Ltd (OSBC) during a calendar year. Such fees are recoverable from the manufacturers. The rate of fees notified by the BOR in April 2004 were as under:

No of cases	Fee (in Rupees)
Upto 10,000	25,000
10,001 to 20,000	40,000
20,001 to 40,000	50,000
40,001 to 70,000	75,000
70,001 to 1 lakh	1,00,000
Above 1 lakh	1,50,000

Scrutiny of the records of the EC, Orissa in June 2005 revealed that during the calendar year 2004, different manufacturers supplied 9.33 lakh cases of IMFL/beer to the OSBC against which label registration fee of Rs. 15.35 lakh was payable. The manufacturers did not pay the fees at the appropriate rates and deposited only Rs. 8.95 lakh. The EC also did not raise any demand for the balance amount. This resulted in short realisation of label registration fee of Rs. 6.40 lakh.

After the cases were pointed out, the Government stated in May 2007 that the fee for registration for financial year 2004-05 in March 2004 was accepted on the basis of the supplies made to OSBC during the calendar year 2003 since the quantities supplied during 2004 could not have been ascertained before its completion. The reply is not tenable since the fee was to be realised on the supplies actually made during the year 2004 and approval for supply of additional quantities should have been accorded only after payment of additional label registration fees.

5.5 Non-realisation of utilisation fee for short utilisation of molasses

The Government of Orissa, Excise Department in its notification of March 2005, introduced MGQ on molasses by amending the Orissa Excise (Exclusive Privilege) Rules, 1970. Under the provisions of these rules, MGQ for lifting of molasses by the distilleries for production of spirit would be fixed on the basis of the highest quantity of molasses lifted and utilised in the last three years. The utilisation fee of molasses is Rs. 100 per MT.

Test check of the records of a distillery³⁴ under the jurisdiction of the SE, Ganjam in May 2006 revealed that against MGQ of 10,891.077 MT fixed for the year 2005-06, the distillery utilised 5,645.176 MT of molasses resulting in short utilisation of 5,245.901 MT of molasses. Though the distillery was liable to pay Rs. 5.25 lakh for such short utilisation, yet the SE did not raise any demand. This resulted in non-realisation of utilisation fee of Rs. 5.25 lakh.

After the case was pointed out, the Government stated in July 2007 that the demand had been raised against the unit. A report on realisation has not been received (November 2007).

5.6 Short realisation of transport fee on mahua flower

As per the provisions of the BER (Fixation of fees on *mahua* flower) 1976, as amended in June 2000, the rate of fee to be deposited by the licensees in respect of transit pass for transporting *mahua* flower within the State shall be Rs. 10 per quintal.

Test check of the records of nine³⁵ district excise offices between April 2006 and January 2007 revealed that 209 outstill³⁶ liquor licensees procured 1.20 lakh quintals of *mahua* flower during 2005-06. Against the transport fee of Rs.11.96 lakh realisable, only Rs. 6.97 lakh was realised. The department did not raise any demand for the balance amount of Rs. 4.99 lakh. This resulted in short realisation of transport fee of Rs. 4.99 lakh.

After the cases were pointed out, all the SEs stated between April 2006 and January 2007 that steps would be taken for realisation of the outstanding fees, while SE, Nuapada reported realisation of Rs. 1.04 lakh in January 2007.

The matter was brought to the notice of the department/Government in April 2007; their reply has not been received (November 2007).

34 Aska Co-operative Sugar Industries Ltd.

35 Bolangir, Deogarh, Gajapati, Kalahandi, Keonjhar, Mayurbhanj, Nawarangpur, Nuapada and Subarnapur.

36 A system of preparation of intoxicants based on *mahua* flower.