

Chapter 4: State Excise Duties

4.1 Results of audit

Test check of records relating to State Excise department conducted in audit during the year 2000-2001, disclosed irregularities amounting to Rs.727.98 lakh in 64 cases which broadly falls under the following categories:

(In lakh of rupees)			
Sr.No.	Category	Number of cases	Amount
1	Loss of excise duty due to sub-normal yield of spirit from molasses	4	648.35
2	Excessive wastage allowance	1	1.64
3	Others irregularities	59	77.99
	Total	64	727.98

One case highlighting important irregularity involving financial effect of Rs.3.14 crore is given in the following paragraph.

4.2 Sub-normal yield of spirit from molasses

The Punjab Distillery Rules, 1932 (Rules), envisage that one quintal of molasses should yield 36.61 proof litres of spirit. The Public Accounts Committee (PAC) while discussing paragraph 4.2 of the Audit Report (Revenue Receipts) of the Comptroller and Auditor General of India for the year ended 31 March, 1996 observed (November 1999) that the department may frame rules to regulate the yield of spirit from molasses with the improved technology in Sugar Industry so that no undue advantage is taken by the distilleries.

During test check of records of two* distilleries in Patiala district, it was noticed (between October and December 2000) that during the year 1999-2000, 222.89 lakh proof litres of spirit was produced from 6.66 lakh quintals of molasses as against the envisaged yield of 243.82 lakh proof litres of spirit. Had the norms for yield of spirit been achieved, the Government would have earned excise duty amounting to Rs.313.95 lakh on additional yield of 20.93 lakh proof litres of spirit.

On this being pointed out in audit (October and December 2000) Excise and Taxation Officer (ETO) incharge (Main Distillery) stated that the yield of spirit is linked with sugar contents in the molasses and with the advancement of technology, the sugar factories are extracting maximum sugar from sugarcane. The reply was not tenable as despite the recommendation (November 1999) of the PAC the relevant rule has not been amended so far. The ETO incharge (Banur distillery), however, did not furnish any reply.

The above matter was referred to the department (between October and December 2000) and Government in April 2001. No final reply was received from the concerned quarters. The matter was followed up with reminders to Financial Commissioner (Taxation) and Secretary to Government Punjab, Excise and Taxation department in May and June 2001. However, inspite of such efforts, no reply was received (July 2001).

* **M/s Patiala Distilleries and Manufacturers Ltd village Main (Patiala),
M/s Chandigarh Distilleries and Bottlers Ltd. Banur (Patiala).**