

CHAPTER-VI: State Excise

6.1 Results of audit

Test check of the records of the State Excise Offices, conducted in audit during the year 2003-04, revealed non/short recovery of excise revenue amounting to Rs.39.21 crore in 159 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short realisation of excise duty and licence fee	69	2.20
2.	Loss of excise duty on account of excess wastage of liquor	17	0.15
3.	Other irregularities	73	36.86
	Total	159	39.21

During the year 2003-04 the Department accepted short realisation etc. in 107 cases involving Rs.6.13 crore of which 57 cases involving Rs.1.96 crore had been pointed out in audit during 2003-04 and rest in earlier years. The Department recovered Rs.14.13 crore in 78 cases of which 25 cases involving Rs.0.62 crore had been pointed out in audit during the year 2003-04 and rest in earlier years.

A few illustrative cases involving Rs.92.64 lakh highlighting important audit observations are given in the following paragraphs. Besides in eight cases¹ of non/short recovery of interest, exclusive privilege amount and bottling fee pointed out in audit during the year 2003-04 entire amount of Rs.26.26 lakh was recovered between April and July 2004.

6.2 Non-recovery of excise duty on beer becoming non-potable in bonded warehouses

Conditions and restrictions on establishment of bonded warehouse provide that Government shall not be responsible for loss of liquor in bond during the currency of the licence period. In case of loss, an enquiry shall be held by the Excise Commissioner. If it is found that the loss could have been prevented by reasonable precaution on the part of licensee, he may be required to pay duty

¹ Alwar, Baran, Bharatpur, Bhilwara, Jhalawar, Jhunjhunu, Sikar and Udaipur.

and the decision of the Commissioner shall be final and binding on the licensee.

In Alwar, it was noticed that 1.32 lakh Bulk Litre (BL) strong² beer and 2.66 lakh BL lager³ beer were stored between December 1997 and January 2000 in bonded warehouse of a licensee in Alwar. No action was taken by the Department to get the beer disposed of till it was declared non-potable by the Chemical and Chief Public Analyst, Rajasthan, Jaipur in March 2001 and August 2002. This resulted in loss of revenue of Rs.46.44 lakh. Thereafter, no action was taken to recover the amount from the licensee.

After this was pointed out in March 2004, the Department accepted the audit observations in September 2004 and recovered Rs.16.68 lakh. The report on the recovery of balance amount is awaited.

Government confirmed in September 2004 the reply of the Department.

6.3 Non-realisation of additional licence fee

Rajasthan Excise Rules, 1956 provide that if a retail licensee, not operating under exclusive privilege system (EPS) purchases liquor from a wholesale licensee operating under EPS, such retail licensee shall have to pay additional licence fee on Indian Made Foreign Liquor (IMFL) and beer at the rate of Rs.3 and Re.1 per BL respectively.

In five District Excise Offices⁴, it was noticed between May 2003 and November 2003 that 122 Hotels and four Club bar licensees not operating under EPS were issued permits during 2001-02 and 2002-03 to make purchases of 2.18 lakh BL of IMFL and 14.50 lakh BL of beer. However fee of Rs.13.52 lakh was not paid by them. The same was also not demanded by the Department resulting in short recovery of the Government revenue to that extent.

After this was pointed out the Department accepted the audit objection in June and July 2004 and recovered Rs.13.01 lakh. The report on the recovery of balance amount is still awaited

Government confirmed in July and August 2004 the reply of the Department.

² Having strength more than 8.75 per cent of proof spirit.

³ Having strength upto 8.75 per cent of proof spirit.

⁴ Ajmer, Bikaner, Jaipur, Jodhpur and Udaipur,

6.4 Non-recovery of excise duty on shortage of rectified, matured and spiced spirits

As per Rajasthan Stock Taking and Wastage of Liquor (At Distillery and Warehouse) Rules, 1959, permissible loss of rectified, matured and spiced spirit during storage should not exceed 0.4 *per cent*. Shortage beyond permissible limit is leviable to excise duty at the rate as prescribed from time to time.

In Sriganganagar, physical verification of stock of a distillery conducted by the Department revealed shortage of 6,420.455 LPL in excess of the permissible loss in respect of rectified, matured and spiced spirit. However, no excise duty was recovered resulting in less realisation of Government revenue of Rs.6.42 lakh.

After this was pointed out in January 2004 the Department accepted the audit observation in September 2004 and recovered Rs.1.61 lakh. The report on the recovery of balance amount is awaited.

Government confirmed in September 2004 the reply of the Department.