

CHAPTER - 3 : STATE EXCISE DEPARTMENT

3.1 Results of Audit

Test check of records of State Excise Offices conducted in Audit during the year 2001-2002 revealed non / short levy of duties/ fees amounting to Rs. 47.26 crore in 170 cases which broadly fall under the following categories:

(Rupees in crore)

| Sl.No. | Categories | Number of cases | Amount |
|--------|---------------------------------------|-----------------|--------------|
| 1 | Excess Transit / storage, wastage | 16 | 9.81 |
| 2 | Short levy of export pass fee | 9 | 1.79 |
| 3 | Non-levy of interest | 14 | 1.30 |
| 4 | Non-levy of compounding fee / penalty | 57 | 11.13 |
| 5 | Other irregularities | 74 | 23.23 |
| | Total | 170 | 47.26 |

During 2001-2002 the department recovered under assessment etc. of Rs. 4.99 crore involved in 27 cases.

A few illustrative cases involving financial effect of Rs. 17.28 crore are given in the succeeding paragraphs:

3.2 Low production of alcohol from molasses

Under the U.P. Excise Working of Distilleries (Amendment) Rules, 1978, the output of alcohol from every quintal of fermentable sugar present in the molasses is 52.5 alcoholic litre (AL). Failure to maintain the minimum yield of alcohol from molasses consumed entails cancellation of licence and forfeiture of security deposit of the distiller concerned in addition to any other penalties leviable under the Act. For this purpose composite samples of molasses are required to be drawn by the officer incharge of the distillery and sent for examination to the Alcohol Technologist. Alcohol Technologist is required to send his report to concerned officer incharge of the distillery, within a month from the date of receipt of such samples.

During audit of 13 Distilleries[^], it was noticed (between February 1999 and July 2001) that 96 composite samples of molasses were sent to Alcohol

[^] Captanganj (Kushinagar), Dhampur (Bijnor), Gajraula (J.B. Nagar), Ghosi (Mau), Gola (Lakhimpurkheri), Gonda, Kayanganj (Farrukhabad) Masaudha (Faizabad), Mansoorpur (Muzaffar Nagar), Moradabad, Nanpara (Bahraich), Pilakhni (Saharanpur) & Syohara (Bijnor).

Technologist during the year 1998-99 to 2001-2002 for examination. On the basis of the reports of the Alcohol Technologist regarding the quantity of fermentable sugar present in the samples, the production of alcohol should have been 28309170.34 AL instead of 24567442.20 AL actually produced. Thus production of alcohol was short by 3741728.14 AL involving loss of excise duty amounting to Rs. 17.12 crore as per annexure 'A'.

The cases were reported to the Department and Government (between June 1999 and January 2002); their replies have not been received (December 2002).

3.3 Non levy of interest on belated payments

Under the provisions of U.P. Excise Act, 1910, as amended (March 1985) in case excise revenue is not paid within three months from the due date, interest at the rate of 18 per cent per annum is recoverable from the date it becomes payable, upto the date of realisation. In respect of excise revenue which had become payable prior to the date of amendment in the Act and is not paid within three months of the date of amendment, interest is to be charged from 29 March 1985.

During the audit of seven District Excise Offices[©], it was noticed (between November 1999 and November 2001) that excise revenue of Rs. 10.13 lakh was deposited (between March 1996 to May 2001) late by a period ranging from 64 to 198 months. However, interest amounting to Rs. 15.98 lakh on the belated payments was not levied and realised by the department.

The cases were reported to the department and the Government (between April 2000 and March 2002); their replies have not been received (December 2002).

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