

CHAPTER-III - STATE EXCISE DEPARTMENT

3.1 Results of audit

Test check of records of State Excise Offices conducted in Audit during the year 2003-04 revealed non-levy or short levy of duties and fees amounting to Rs. 57.09 crore in 108 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl.No.	Categories	Number of cases	Amount
1	Excess transit/storage wastage	08	0.96
2	Short levy of export pass fee	20	21.60
3	Non levy of interest	01	0.02
4	Non levy of compounding fee/penalty	12	0.13
5	Other irregularities	67	34.38
	Total	108	57.09

A few illustrative cases involving financial effect of Rs. 6.02 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, every quintal of fermentable sugar content present in molasses shall yield alcohol of 52.5 alcoholic litre (A.L.). For this purpose, composite samples of molasses are required to be drawn by the officer-in-charge of the distillery and sent for examination to the Alcohol Technologist. Failure to maintain the minimum yield of alcohol from molasses consumed entails cancellation of licence and for-feiture of security deposit besides other penalties.

During test check of records of three Distilleries,[#] it was noticed (between March and December ' 2002) that 45 composite samples of molasses were sent to Alcohol Technologist during the period between January '2001and October ' 2002. Based on the reports of the Alcohol Technologist, out of 3.17 lakh quintal of fermentable sugar content present in molasses, 166.43 lakh AL should have been produced, against which actual production of alcohol was 155.31 lakh AL. Less production of alcohol by 11.12 lakh AL resulted in loss of Excise duty of Rs. 5.34 crore. Besides neither the licence of the distilleries were cancelled nor the security deposit was forfeited for the production of alcohol.

After this was pointed out in audit, the Department/Government accepted low recovery of alcohol and stated (September 2004) that question of levy of excise duty on unproduced quantity of alcohol does not arise. The reply is not tenable because Government was deprived of revenue due to low recovery of alcohol.

3.3 Loss of revenue due to transit loss of Total Reducing Sugar (TRS)

U.P. Excise Rules do not provide for any loss of Total Reducing Sugar (TRS) present in molasses during transit. Further, as per the Excise Commissioner's circular (May 1995) a maximum 12 percent non-fermentable sugar is present

[#] Dhampur Distillery, Dhampur, K.M. Sugar Mills and Distillery, Masaudha, Faizabad and Mohan Meakin Distillery, Lucknow.

in TRS and as such 46.20 Alcoholic litre of spirit can be produced from 1 quintal of TRS.

During test check of records of four Distilleries*, it was noticed (between June and November '2002) that during the month of April to June '2002, while transporting molasses there was a loss of TRS which ranged between 1 to 4 percent as compared to the TRS shown in the transport passes issued by the sugar factories, which is contrary to the provisions of the Act. Further, the distilleries received 3069.01 quintal of TRS less from which 141788.34 AL spirit could have been produced. Thus, the Government was deprived of excise duty of Rs. 68.06 lakh as detailed below:

(Rupees in Lakh)

Name of Unit	Month/Year	Quantity of TRS dispatched (in Qtl.)	Quantity of TRS Received (in Qtl.)	Quantity of TRS loss in transit (in Qtl.)	Quantity of FS lost in transit (in Qtl.)	Alcohol which could be produced as per norms (in AL)	Excise duty @ Rs. 48/- per AL
Zubilient Organosis J.P. Nagar	4/2002	36,878.19	35,054.22	1,823.97	1,605.09	84,267.23	40.45
N.I.C. Distillery, Moradabad	4/2002 & 5/2002	5,165.40	4,922.46	242.94	213.79	11,223.98	5.39
Pilkhani Distillery, Saharanpur	4/2002 & 5/2002	14,685.74	13,864.83	820.91	722.40	37,926.00	18.20
Rampur Distillery, Rampur	6/2002	2,838.74	2,657.55	181.19	159.45	8,371.13	4.02
Total:		59,568.07	56,499.06	3,069.01	2,700.73	1,41,788.34	68.06

After this was pointed out in audit, the Department/Government stated (September 2004) that any difference in grade of TRS may be tested by the laboratory under Excise Department, the result of which will be final. However, notices for difference in grade of TRS were being issued to distillers. Further progress is awaited (November 2004).

* Jubilient Organosis Ltd., J.P. Nagar , National Industrial Corporation Ltd., Distillery, Moradabad, Pilkhani distillery, Saharanpur and Rampur Distillery, Rampur.