

CHAPTER IV STATE EXCISE

4.1 Results of audit

Test check of records of state excise revenue conducted in audit during the year 2004-05, revealed non/short realisation of excise duty and other irregularities amounting to Rs.26.64 crore in 67 cases, which broadly fall under the following categories :

(Rupees in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non/short levy of excise duty on chargeable wastage of RS/IMFL	9	1.79
2.	Non/short recovery of privilege fee/additional fee/licence fee/transport pass fee etc.	19	0.68
3.	Non/short realisation of establishment cost.	14	0.32
4.	Loss/blockage of revenue	10	0.17
5.	Others	15	23.68
Total		67	26.64

During the course of the year 2004-05, the Department accepted underassessment etc. of Rs.62.34 crore involved in 38 cases of which 33 cases involving Rs.62.27 crore had been pointed out in audit during the year 2004-05 and the rest in earlier years.

A few illustrative cases involving Rs.11.57 crore highlighting important observations are given in the following paragraphs:

4.2 Non-realisation of duty on non/short receipt of Rectified Spirit/Extra Neutral Alcohol during the course of import underbond

The Bengal Excise Act, 1909 and the Rules made thereunder provide that in the case of import of Rectified Spirit (RS)/Extra Neutral Alcohol(ENA) underbond for potable/other purposes, a licensee is to execute a bond in the prescribed form which envisages that duty and fees at the prescribed rate are to be paid on the quantity of RS/ENA not received/received short at the destination with reference to the quantity despatched from the exporting end.

Scrutiny of records of the Commissioner of Excise, Kolkata and Deputy Commissioner of Excise (Special), Kolkata revealed between February and August 2004 that Commissioner of Excise granted four import permits between December 1999 and December 2002 for import of 7 lakh Bulk Litres (BL) of RS underbond from two distilleries in Uttar Pradesh for potable and other purposes to two licensees one each of Kolkata and Darjeeling. Cross verification of records with those of Excise Department of Uttar Pradesh in July 2005, however, revealed that 4.70 lakh BL of RS were actually despatched from the distilleries of Uttar Pradesh between January 2000 and December 2002 against which 1.84 lakh BL of RS was shown as received at the bonded warehouses of the licensees between January and April 2000. Balance quantity of RS of 2.86 lakh BL was not received at the destination. In another case of Hooghly, it was revealed in January 2004 that the Commissioner of Excise, West Bengal granted one import permit in April 2002 to one licensee to import 2 lakh BL of ENA underbond from Uttar Pradesh for manufacture of foreign liquor against which 0.20 lakh BL of ENA was shown as received. Balance quantity of 1.8 lakh BL was not received at the destination.

As per terms and conditions of the bond agreement, the licensees were liable to pay duties of Rs.6.70 crore on 2.86 lakh BL of RS and Rs. 4.32 crore on 1.8 lakh BL of ENA at the prevailing rates as detailed below:

(Rupees in crore)

Import permit granting authority	Name of the District Excise involved	No. of licenses involved	Quantity to be imported (in lakh BL)	Actual quantity despatched by distilleries	Short receipt (in lakh BL)	Duty realisable at prevailing rate
		Permits issued		Received at the Distilleries		
Deputy Commissioner of Excise (Spl.), Kolkata	Kolkata	$\frac{1}{3}$	5.00	$\frac{2.70}{\text{Nil}}$	2.70	6.35
Commissioner of Excise, West Bengal	Darjeeling	$\frac{1}{1}$	2.00	$\frac{2.00}{1.84}$	0.16	0.35
Commissioner of Excise, West Bengal	Hooghly	$\frac{1}{1}$	2.00	$\frac{\text{NA}}{0.2}$	1.8	4.32
Total						11.02

The excise authorities, however, neither ascertained the actual quantity of RS/ENA dispatched from the exporting state nor issued demand notices for realisation of duty.

After this was pointed out, Deputy Commissioner of Excise (Special) stated in February 2004 that matter was being taken up with the concerned licensees, while Commissioner of Excise, West Bengal stated in March 2004 that action would be taken after obtaining report from district authorities.

The cases were reported to Government between May 2004 and October 2004 followed by reminders issued up to June 2005; their reply has not been received (October 2005).

4.3 Non-levy and non-realisation of excise duty on excess wastage of spirit on re-distillation

Under the West Bengal Excise Act, 1909 and the Rules made thereunder, an excise licence in Form 28B is issued for establishing a private warehouse for deposit and storage of rectified spirit without payment of duty and for the purpose of further rectification of such spirit and sale of spirit so rectified. The said Act and the Rules made thereunder prescribes the maximum limit of allowable wastage at two *per cent* for re-distillation of spirit in a pot still for purposes other than foreign liquor. Wastage of spirit in excess of two *per cent* attracts duty at the highest rate leviable on foreign liquor which is payable immediately after completion of redistillation.

Scrutiny of records of 14 licensees under the Medicine & Toilet Preparation (M & TP) (Excise Duties) Act, 1955, revealed that the licensees held excise

licence in Form 28B for deposit and storage of rectified spirit. During 2000-01 to 2003-04 those licensees redistilled 28,70,376 LPL of spirit in pot stills and produced 27,82,128 LPL of special quality of spirit for the purpose of supply of such spirit for manufacture of medicinal and toilet preparations and/or sale of spirit so rectified. A wastage of 57,408 LPL was admissible against which 88,248 LPL of rectified spirit was allowed during the process of redistillation resulting in excess wastage of 30,840 LPL. No demand was, however, raised for such excess wastage. This resulted in non-levy and non-realisation of excise duty of Rs.38.48 lakh.

The matter was reported to the Government between May 2004 and January 2005 followed by reminder issued up to June 2005; their reply has not been received (October 2005).

4.4 Non-realisation of Establishment cost

Under the provisions of the West Bengal Excise (Foreign Liquor) Rules, 1998, the licensee of a bonded foreign liquor warehouse shall pay a monthly fee in cash equivalent to monthly cost comprising average pay, compensatory allowances and contribution towards leave salary and pension in respect of the excise establishment deployed in the warehouse. Such monthly fee shall be paid within seven days after the expiry of the month to which the fee relates.

Scrutiny of records in two district excise offices¹ between November 2003 and September 2004 revealed that licensees of three bonded foreign liquor warehouses did not pay monthly fee for different periods between June 2002 and August 2004 within the prescribed time. The district excise authority, however, did not take any action to realise the same. This resulted in non-realisation of Rs.10.25 lakh towards establishment cost.

After this was pointed out, the District Excise Officers stated between November 2003 and September 2004 that action would be taken for realisation of the dues.

Government to whom the cases were reported between February and October 2004 stated in August 2005 that action was being taken to realise the outstanding amount of establishment cost in case of one bonded warehouse

¹ Collector of Excise, Kolkata. Superintendent of Excise, Burdwan (West).

whereas Rs.1.29 lakh has been realised at the instance of audit in respect of other warehouse. Report on realisation of remaining establishment cost has not been received (October 2005).

4.5 Non-realisation of Application Fee for renewal of Foreign Liquor Bond/Trade licence

By a notification issued in February 2004, the State Government introduced levy of application fee of Rs.10,000 and Rs.5,000 for renewal of Foreign Liquor (FL) Bond and FL Trade licence respectively from February 2004.

Scrutiny of records of the Collector of Excise, Kolkata relating to renewal of FL Bond licence and FL Trade licence for the year 2004-05, revealed that the application fee was not realised from 35 FL Bond licensees and 56 FL Trade licensees. This resulted in non-realisation of application fee of Rs.6.30 lakh.

After this was pointed out in August 2004, the Collector of Excise, Kolkata stated in August 2004 that steps would be taken for realisation of the same.

Government to whom the cases were reported in October 2004 stated in August 2005 that Rs.4.05 lakh has been realised at the instance of audit. Report on realisation of the balance amount has not been received (October 2005).