

## CHAPTER IV STATE EXCISE

### 4.1 Results of audit

Test check of records of state excise revenue conducted in audit during the year 2003-04 revealed non/short realisation of excise duty of Rs.53.28 crore in 69 cases, which broadly fall under the following categories:

<i>(Rupees in crore)</i>			
Sl. No.	Categories	No. of cases	Amount
1	Non/short levy of excise duty on chargeable wastage of rectified spirit, non/short realisation of IMFL	17	23.27
2	Non/short recovery of privilege fee/additional fee/licence fee/transport pass fee etc.	10	26.84
3	Blockage/loss of revenue	12	2.31
4	Others	30	0.86
	<b>Total</b>	<b>69</b>	<b>53.28</b>

During the course of the year 2003-04, the concerned departments accepted underassessments etc. of Rs.37 lakh involved in 27 cases of which 20 cases involving Rs.23 lakh had been pointed out in audit during the year 2003-04 and the rest in earlier years. An amount of Rs.1.71 lakh was realised at the instance of audit.

A few illustrative cases involving Rs.8.32 crore highlighting important observations are given in the following paragraphs:

#### **4.2 Non-realisation of duty on short/non-receipt of rectified spirit/India made foreign liquor**

The Bengal Excise Act, 1909 and the rules made thereunder provide that in the case of import of rectified spirit liquor underbond<sup>1</sup> for potable purpose, 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 rectified spirit(RS) received short or non receipt with reference to the quantity despatched from the exporting end. There is, however, no provision to regulate the cases involving non/short import of rectified spirit/liquor with reference to the quantity permitted for import as well as release of the bond amount already furnished by the importer.

Scrutiny of records of the Superintendent of Excise, Hooghly and the Collector of Excise, Kolkata revealed that the Commissioner of Excise granted three import permits between October 2001 and March 2002 to one licensee of Hooghly to import eight lakh bulk litres (B.L.) of RS underbond from Uttar Pradesh for manufacture of foreign liquor against which 4.50 lakh B.L. only was received by the licensee. The balance quantity of RS of 3.50 lakh B.L. was not received. In another case, the Collector of Excise, Kolkata granted two import permits between August 2001 and March 2002 to two licensees of Kolkata for import of 3,431.25 London Proof Litre (LPL) and 3,543.75 LPL of whisky underbond from Karnataka and Uttar Pradesh respectively. The said consignments, did not, however, reach the bonded warehouses of the importers of West Bengal. As per terms and conditions of the bond

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<sup>1</sup> Underbond is a term used in connection with import of excisable articles without prepayment of duty where the importer executes a bond in favour of the excise authority for payment of duty.

agreement, those importers were liable to pay Rs.8.13 crore as per table below:

*(Rupees in crore)*

Name of the District Excise Authorities	No.of licensees involved	Import permit granting authority	Import permit No. and Date	Quantity to be imported	Actual import	Non/Short import	Duty and Fee realisable at usual rates
S.E., Hooghly	1	Commissioner of Excise	103(Pot)2000-01 Dt. 6.7.2001	4.00 lakh B.L. (R.S.)	1.36 lakh B.L.	2.64 lakh B.L.	6.04 (only duty)
			159(Pot)2000-01 Dt.19.10.2001	2.00 lakh B.L. (R.S.)	1.20 lakh B.L.	0.80 lakh B.L.	1.83 ( - do - )
			9 (Pot) 2001-02 Dt.31.12.2002	2.00 lakh B.L. (R.S.)	1.94 lakh B.L.	0.06 lakh B.L.	0.14 ( - do - )
Collector of Excise, Kolkata	2	Collector of Excise, Kolkata	0174 dt.28.08.01	3,431.25 LPL (whisky)	NIL	3,431.25 LPL	0.06 (duty and fee)
			0502 dt.06.03.02	3,543.75 LPL (Whisky)	NIL	3,543.75 LPL	0.06 (duty and fee)
<b>Total :</b>						<b>8.13</b>	

After this was pointed out the Superintendent of Excise, Hooghly stated in September 2002 that the licensee was being requested to produce the relevant short lifting certificates against those three import permits, while the Collector of Excise, Kolkata stated in November 2003 that duty and fee of Rs.6.49 lakh in one case was realised in April 2003.

The matter was referred to Government between January and May 2003; followed by reminder in December 2003; their reply has not been received (December 2004).

### **4.3 Non-realisation of excise duty on rectified spirit lost in transit**

The Bengal Excise Act and the Rules made thereunder provide for allowance of wastage of rectified spirit by way of leakage and evaporation in transit at different rates between half per cent and two per cent depending on the

duration of journey. Such wastage in excess of the allowable limit is chargeable to duty at the highest rate applicable to foreign liquor.

Scrutiny of records of two country spirit bottling plants in the district of Burdwan (West) and Hooghly revealed that one distiller of South 24 Parganas despatched between December 2001 and January 2002, 47,052 LPL of rectified spirit underbond in two consignments to his country spirit bottling plants at Asansol and Serampore, of which 39,862.2 LPL reached the destinations. In one consignment the tanker was stated to have met with an accident at Rasulpur on 7 December 2001 in Burdwan (East) District causing wastage of rectified spirit of 5,626.30 LPL out of 26,928 but no spot enquiry report of the Excise authority of Burdwan (East) was produced in support of the claim. The other consignment reached the destination beyond the prescribed time limit involving transit wastage of 563.5 LPL out of 20,124 LPL. After considering total allowable transit wastage of 369.90 LPL chargeable transit wastage was 5,819.90 LPL which involved excise duty of Rs.8.32 lakh at the rate of Rs.143.00 per LPL.

After this was pointed out, the District Excise Officer (DEO), Burdwan (West) raised a demand of Rs.7.66 lakh in May 2002 which was pending in appeal while the District Excise Commissioner (DEC), Hooghly issued demand notice in June 2004.

The cases were reported to Government between August 2002 and February 2003; their reply has not been received (December 2004).

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**4.4 Non-realisation of house rent allowance for not providing accommodation for excise officers and other establishment**

The Bengal Excise Act and the Rules made thereunder provide that the contractor/supplier of a country spirit warehouse or the licensee of a country spirit bottling plant, who fails to provide accommodation to Excise Officers-in-charge and other establishment posted therein, shall pay a fee with effect from 1 April 2001 in cash equivalent to admissible house rent allowance (HRA) in respect of said officers in charge and other establishment.

Scrutiny of records in 10<sup>2</sup> district excise offices between September 2002 and December 2003 revealed that the contractors/suppliers of 12 country spirit warehouses and licensees of three country spirit bottling plants could not provide accommodation to Excise officer-in-charge and other establishment posted therein, for different periods between April 2001 and March 2003 and as such they were liable to pay the relevant fee in cash equivalent to admissible HRA in respect of those Excise officers-in-charge posted in those warehouses and bottling plants for the period for which accommodation was not provided. The respective DEC, however, neither issued demand notices for realisation of said fee nor took any action against the defaulting licensees for non-compliance of terms and conditions of licence. This resulted in non-realisation of HRA of Rs.10.59 lakh.

After this was pointed out, three DEOs stated between September 2002 and December 2003 that demand notices for Rs.4.37 lakh were issued to four contractors and one licensee while the remaining DEOs stated that necessary action would be taken. Further reply has not been received (December 2004).

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<sup>2</sup> Burdwan (East), Coochbehar, Darjeeling, Hooghly, Jalpaiguri, Kolkata, Malda, Murshidabad, Paschim Medinipur and Purba Medinipur

*Audit Report (Revenue Receipts) for the year ended 31 March 2004*

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The matter was reported to Government between December 2002 and February 2004 followed by reminders issued up to July 2004; their reply has not been received (December 2004).