

CHAPTER-III STATE EXCISE

3.1 Tax administration

Excise duty on liquor for human consumption, fees in case of other intoxicants such as *charas*, *bhang* and *ganja* etc. and confiscation imposed or ordered is levied under the UP Excise Act, 1910 and rules made thereunder. These rules have been made in order to have a proper check over leakages of revenue in the Department by enforcing control over illicit production, import and export of alcohol, illegal purchase and sale of liquor and other intoxicants.

Alcohol is produced in distilleries mainly from molasses obtained as a byproduct during manufacturing of sugar. Various kinds of liquor, such as country liquor (CL) and Indian made foreign liquor (IMFL) like whisky, brandy, rum and gin are manufactured from alcohol. Excise duty on production of alcohol and liquor in distilleries forms a major part of excise revenue. Liquor for human consumption is issued from distilleries either under bond without excise duty or on pre-payment thereof at the prescribed rates. Apart from excise duty, licence fee also forms part of excise revenue. The District Collector (DC) with the assistance of the District Excise Officer (DEO) is responsible for settlement of liquor shops in the district.

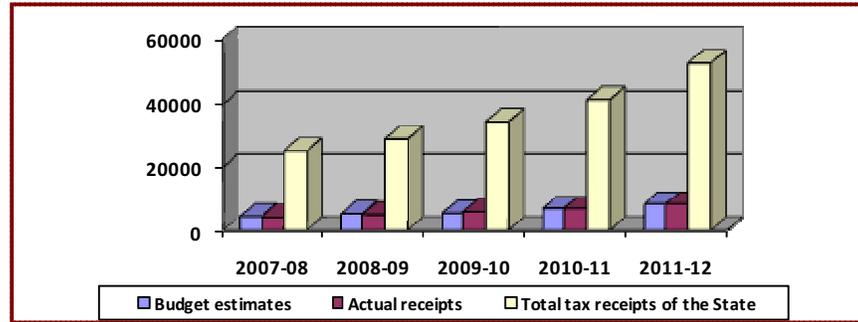
The Principal Secretary, State Excise Department is the administrative head at Government level. The collection of duty, fee and other taxes is administered and monitored by the Commissioner, Excise who is assisted by two Additional Excise Commissioners, three Joint Excise Commissioners (JECs), 10 Deputy Excise Commissioners (DECs) and six Assistant Excise Commissioners (AECs) at headquarters. For the purpose of effective administration, the State is divided into four zones and 17 circles. At the district level the DEOs/AECs are posted to assess, levy and collect revenue. At the distillery, the AEC/officer incharge (inspector) is posted for levy and collection of excise duty.

3.2 Trend of receipts

Actual receipts from State Excise during the years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the following table and graph.

(₹ in crore)						
Year	Budget estimates	Actual receipts	Variation excess (+) shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	4,192.00	3,948.40	(-) 243.60	(-) 5.81	24,959.32	15.82
2008-09	5,040.00	4,720.01	(-) 319.99	(-) 6.35	28,658.97	16.47
2009-10	5,176.45	5,666.06	(+) 489.61	9.46	33,877.60	16.73
2010-11	6,763.23	6,723.49	(-) 39.74	(-) 0.59	41,355.00	16.26
2011-12	8,124.08	8,139.20	(+) 15.12	0.19	52,613.43	15.47

Source: Finance Accounts of the Government of Uttar Pradesh.



It can be seen that while the actual receipts show an increasing trend, the percentage of actual receipts of the Department to the total tax receipts of the State shows a decreasing trend in the year 2010-11 and 2011-12. However, in the last two years the estimation is broadly correct.

3.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 amounted to ₹ 54.82 crore of which ₹ 51.87 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2007-08 to 2011-12.

(₹ in crore)

Year	Opening balance of arrears	Addition during the year	Amount collected during the year	Closing balance of arrears
2007-08	60.89	0.56	0.06	61.39
2008-09	61.39	0.59	0.03	61.95
2009-10	61.95	1.35	0.07	63.23
2010-11	63.23	0.45	6.96	56.72
2011-12	56.72	0.03	1.93	54.82

Source: Information provided by the Department.

We recommend that the Government may consider taking appropriate steps for early recovery of the arrears.

3.4 Cost of collection

The gross collection from State Excise, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2009-10, 2010-11 and 2011-12 along with the relevant all India average percentage of cost of collection to gross collection for the previous years are mentioned below:

(₹ in crore)

Year	Gross collection	Cost of collection	Percentage of cost of collection to gross collection	All India average percentage of cost of collection for the previous year
2009-10	5,666.06	70.86	1.25	3.66
2010-11	6,723.49	95.72	1.42	3.64
2011-12	8,139.10	101.26	1.24	3.05

Source: Finance Accounts of the Government of Uttar Pradesh and information provided by the Department.

We noted that the cost of collection for the State Excise Department is well below the all India average.

3.5 Revenue impact of audit

During the period 2006-07 to 2010-11, we had pointed out through our Inspection Reports non/short levy, non/short realisation, underassessment/loss of revenue, incorrect exemption, application of incorrect rate of tax, incorrect computation etc. with revenue implication of ₹ 1,749.80 crore in 979 cases. Of these, the Department/Government had accepted audit observations in 87 cases involving ₹ 2.54 crore and had since recovered the amount. The details are shown in the following table:

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2006-07	80	122	60.68	Nil	Nil	Nil	Nil
2007-08	82	93	18.8	12	0.06	12	0.06
2008-09	118	189	1,372.36	9	0.2	9	0.2
2009-10	119	140	66.93	20	0.95	20	0.95
2010-11	190	435	231.03	46	1.33	46	1.33
Total	589	979	1,749.80	87	2.54	87	2.54

3.6 Results of audit

Our test check of the records of 200 units relating to State Excise receipts during 2011-12 revealed underassessments of tax and other irregularities involving ₹ 97.34 crore in 383 cases which fall under the following categories:

Sl. No.	Categories	Amount	
		Number of cases	Amount
1.	Low recovery of alcohol from molasses	33	27.75
2.	Non-imposition of penalty	16	0.54
3.	Short levy of licence fee on shops of foreign liquor	88	14.35
4.	Non-levy of interest	16	0.73
5.	Other irregularities	230	53.97
Total		383	97.34

During the year 2011-12, the Department accepted and recovered underassessment and other deficiencies of ₹ 11.18 lakh involved in 21 cases of which three cases involving ₹ 35045 had been pointed out during 2011-12 and the remaining in the earlier years.

A few illustrative cases involving ₹ 12.08 crore are mentioned in the succeeding paragraphs.

3.7 Audit Observation

Our scrutiny of records in the offices of the State Excise Department revealed cases of low yield of alcohol, loss of revenue due to loss of total reducing sugar, non-imposition of penalty/interest, etc. as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out such omissions each year, but not only do the irregularities persist; these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

3.8 Short levy of licence fee on the model shops

As per the State Excise Policies notified on 26 February 2010 and 12 March, 2011, the licence fee for setting up a model shop for the year 2010-11 and 2011-12 or part thereof was fixed as ₹ 8 lakh and ₹ 9 lakh respectively or the highest licence fee among the settled retail shops in the city/town for the same year for both foreign liquor and beer whichever was higher, but it could not be more than ₹ 22 lakh and ₹ 25 lakh respectively in those years.

We observed from the records¹ of 10 District Excise Offices (DEOs)² between April 2011 and March 2012 that licence fee of 27 model shops³ of foreign liquor and beer was fixed/realised as ₹ 2.96 crore for the years 2010-11 and 2011-12, whereas it comes to ₹ 4.50 crore as

per excise policy. The DEOs have ignored the actual sale by these model shops in the preceding year while calculating the highest sale by settled retail shops in the city/town. They have taken into account the sale by other shops of the city/town to fix the licence fee, however these model shops are also settled retail shops, sale by model shops was required to be taken into account while fixing the licence fee prior to regulating it with ceiling. This resulted in short levy/realisation of revenue of ₹ 1.54 crore. Details are given in **Appendix-VI**.

After we pointed this out (between June 2011 and April 2012) the Government stated in July 2012 that levy and collection of licence fee of model shops settled was done as per excise policy issued by the Government. We do not agree with the reply as the actual sale of the model shops, which are also settled retail shops, during previous 12 months has not been taken into account while calculating the licence fees.

¹ Model shops, Settlement files, Excise policies and Sales reports/returns.

² DEO: Mathura, Faizabad, Etah, Lakhimpur Kheri, Raebareli, Jhansi, Lucknow, Ghazipur, Rampur and Kanshi Ram Nagar.

³ Model shop is a licenced shop situated in the commercially approved area of the corporation, city or municipality having at least 600 sq.ft. carpet area and consumption facility also.

3.9 Loss of licence fee on shops of foreign liquor

Under the provisions of the Uttar Pradesh Excise (Settlement of Licences of retail sale of Foreign Liquor) Rules, 2002 (as amended) annual licence fee in respect of the retail shops of foreign liquor is leviable on the basis of number of bottles sold out in the current year. As per the new Excise policy, 2009-10 and 2010-11 the number of the bottles was to be calculated on the basis of actual sale of 10 months i.e. from April to January and calculated sale of February and March by 1/5 of April to January. Similarly As per the state Excise Policy notified on 12 March 2011 for the year 2011-12, the number of the bottles was to be calculated on the basis of actual sale of 11 months i.e. from April to February and calculated sale of March by 1/11 of April to February.

We observed from the records⁴ of six DEOs⁵ and information collected from office of the Excise Commissioner that annual licence fee of all the retail shops of foreign liquor of the State was fixed on the basis of actual sale of bottles of 10 months i.e. April to January of preceding year plus the calculated⁶ sale of February and March of that year for the years 2009-10 and 2010-11. Similarly for 2011-12, the licence fee was based on actual sale of

April 2010 to February 2011 plus the calculated sale of March 2011. The licence fee based on the number of bottles actually sold during previous 12 calendar months at the time of settlement of liquor shops, worked out to ₹ 175 crore, ₹ 233.78 crore and ₹ 321.87 crore for the year 2009-10, 2010-11 and 2011-12 respectively as against the fixed licence fee of ₹ 170.83 crore, ₹ 229.04 crore and ₹ 317.66 crore for the respective years. The information regarding actual sale of bottles for a calendar year was available with the Department at the time of fixing the basis of the calculation. However, the same was ignored and calculated sale for two and one month respectively for 2009-10 to 2010-11 and 2011-12 was taken as a basis for calculation. Due to this, Government was deprived of revenue of ₹ 13.12 crore (₹ 4.17 crore + ₹ 4.74 crore + ₹ 4.21 crore) by way of licence fee during 2009-10 to 2011-12.

After we pointed this out (between August 2011 and May 2012) the Government stated in July 2012 that the settlement was made as per excise policies issued by the Government. The reply is in contradiction to the reply given by the Department last year wherein they had stated that action will be taken as per our suggestion after study of statistical data and our observation is supported by the statistical analysis.

We recommend that in the interest of revenue the Government should fix the licence fee for the year based on the actual sale for the previous 12 months.

⁴ Foreign liquor settlement files, Excise policies and Sales reports/ returns.

⁵ DEO: Lucknow, Kaushambi, Etawah, Jalaun, Gonda and Lalitpur.

⁶ Calculated sale for 2009-10 and 2010-11 - fixed on the basis of formula: Actual sale of 10 months (April to January) + 2 x Average of actual sale of 10 months.

Calculated sale for 2011-12: Actual sale of 11 months (April to February) + Average of actual sale of 11 months.

3.10 Non-levy of interest on belated payment of excise revenue

Under Section 38 (A) of the U P Excise Act, 1910, where any excise revenue is not paid within three months from the date on which it becomes payable, interest at the rate of 18 *per cent* per annum is recoverable from the date on which such excise revenue becomes payable.

We observed (January 2012 to April 2012) from the records⁷ of four DEOs that excise revenue of ₹ 25.20 lakh pertaining to the period 1987-88 to 2010-11 was deposited after a delay that ranged between

three months and 273 months by 91 licensees from August 2004 to February 2012. However, interest amounting to ₹ 27.04 lakh on the belated payment was not levied and realised by the Department as detailed below:

Sl. No.	Name of office	Number of shops/ licensees	Period when excise revenue was due	Amount of excise revenue (In ₹)	Delay in months after which the amount was realised	Amount of interest not imposed/ realised (In ₹)
1	DEO Raebareli	8	2002-03 to 2003-04	11,09,433	79 – 100	15,81,876
2	DEO Fatehpur	55	1987-88 to 2008-09	4,03,783	03 – 273	2,43,396
3	DEO Gonda	25	2002-03 to 2010-11	6,18,965	04 – 107	5,26,259
4	DEO Ballia	3	2001-02 to 2004-05	3,87,731	29 – 71	3,52,917
Total		91		25,19,912	03 - 273	27,04,448

After we pointed this out (February 2012 to May 2012) the Government accepted in July 2012 our contention and stated that process of recovery of interest in Ballia and Raebareli has begun and notices for recovery of interest have been issued in remaining two districts.

3.11 Transit and storage loss of Total Reducing Sugar (TRS)

3.11.1 Loss during transit of Molasses

Rule 8, 20 and 25 of the Uttar Pradesh *Sheera Niyantaran Niyamawali*, 1974 does not provide for any loss of Total Reducing Sugar (TRS) present in molasses during transit or storage of molasses. Rule 15 (b) 3 of Uttar Pradesh Excise Working Distilleries (Amendment) Rules, 1978 prescribes that every quintal of fermentable sugar content present in molasses shall yield 52.5 Alcoholic Litre (AL) alcohol. Further, as per the Excise Commissioner's circular issued in May 1995, maximum 12 *per cent* non-fermentable sugar is present in TRS.

During the audit (April 2011 to February 2012) of records⁸ of three distilleries⁹, we observed that while transporting molasses during August 2010 to March 2011, there was a loss of TRS that ranged between 0.11 to 5.90 *per cent* of the quantities shown in the transport passes issued by the sugar factories

⁷ G-6, Arrear register, Receipt book, Cash book and Treasury Statement.

⁸ Laboratory report and MF-4 passes.

⁹ Lord's Distillery, Nandganj, Ghazipur, Wave Aswani & Breweries Ltd. Ahmadpura Aligarh and Mohan Mekin Distillery, Mohan Nagar, Ghaziabad.

from where the molasses was dispatched. These were certified by the Inspectors at the distilleries. The distilleries received 1,835.72 quintals of TRS short from which 84,810.26 AL¹⁰ of alcohol could have been produced, which has been derived from the orders of the Excise Commissioner¹¹. After bifurcating this in the same ratio as that of the total production of potable and industrial alcohol of these distilleries¹², we found that 84,749 AL of potable alcohol involving excise revenue of ₹ 3.56 crore as shown in **Appendix-VII(A)**, could have been produced.

3.11.2 Loss during storage of Molasses

During the audit (April 2011 to October 2011) of records¹³ of four distilleries¹⁴, we observed that distilleries stored 3,58,030 quintals of molasses during the period March 2010 to October 2011. There was loss of fermentable sugar during storage of molasses that ranged between 0.08 and 0.98 *per cent*. This amounted to 3,197.882 quintals of Fermentable Sugar from which 1,67,888.829 AL alcohol could have been produced. After bifurcating this in the same ratio as that of the total production of potable and industrial alcohol of these distilleries¹⁵, we found that 1,53,988.341 AL of potable alcohol involving excise revenue of ₹ 6.47 crore as shown in **Appendix-VII(B)**, could have been produced.

After we pointed this out (August 2011 to March 2012) the Government replied in July 2012 that recovery of alcohol is based on the fermentable sugar and not on the basis of TRS content dispatched from Sugar factories or received/stored in distilleries. The reply of the Government is not based on the circular of Excise Commissioner issued in 1995 which provides that minimum 88 *per cent* fermentable sugar is present in TRS. Since the circular is in force as on date, the Government has suffered a loss in revenue by not ensuring the optimum production as laid down in the circular.

¹⁰ 1,835.72 x 46.2 = 84,810.26 AL.

¹¹ Maximum 12 *per cent* non-fermentable sugar is present in molasses as such there is 88 Kg. Fermentable Sugar in one quintal of TRS from which 46.2 AL spirit may be produced as every quintal of FS yields alcohol of 52.5 AL as per Rule 15 (b) 3 of Uttar Pradesh Excise Working Distilleries (Amendment) Rules, 1978.

¹² Percentage of potable alcohol: Lord's Distillery, Nandganj, Ghazipur - 99.9, Wave Aswani & Breweries Ltd. Ahmadpura Aligarh - 100, Mohan Mekin Distillery, Mohan Nagar, Ghaziabad - 100.

¹³ COT Register.

¹⁴ Lord's Distillery, Nandganj, Ghazipur, Wave Aswani & Breweries Ltd. Ahmadpura Aligarh, Unnao Distillery & Breweries Ltd. Unnao and Kesar Enterprises Ltd. Baheri Bareilly.

¹⁵ Percentage of potable alcohol: Lord's Distillery, Nandganj, Ghazipur -99.9, Wave Aswani & Breweries Ltd. Ahmadpura Aligarh-100, Unnao Distillery & Breweries Ltd. Unnao-100 and Kesar Enterprises Ltd. Baheri Bareilly-62.26.

3.12 Low yield of alcohol from molasses

Under Rule 15 (b) 3 of UP Excise Working of Distilleries (Amendment) Rules, 1978, every quintal of fermentable sugar content present in molasses shall yield alcohol of 52.5 Alcoholic Litre (AL). 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 forfeiture of security deposit besides other penalties.

We observed from the records¹⁶ of four distilleries¹⁷ between April 2011 and February 2012 that during the period April 2010 to February 2012, 24 composite samples of molasses were sent to the Alcohol Technologist for determination of sugar content of 5.13 lakh quintal of molasses. On the basis of their reports,

out of 1.90 lakh quintal of fermentable sugar content present in molasses, 99.60 lakh AL of alcohol should have been produced. Against this actual production of alcohol was 96.32 lakh AL leading to total short production of 3.27 lakh AL. After dividing this in the same ratio as that of the total production of potable and industrial alcohol of these distilleries¹⁸, we found that there was short production of potable alcohol of 3.24 lakh AL involving revenue of ₹ 13.60 crore. Eleven cases were compounded by the Excise Commissioner and penalty totaling to ₹ 47,000¹⁹ was imposed and part forfeiture of security deposit of ₹ 1.85 lakh²⁰ was ordered which was very low in comparison to total revenue loss. The Department did not cancel the licences of these distilleries as required under the Act.

After we pointed this out (between August 2011 and March 2012) the Government replied in July 2012 that the duty on low yield of alcohol could not be levied because it is not actual but notional production. They also stated that this occurred due to temporary disorder of the plant and machinery, interruption in operation process of plant etc. The reply, regarding temporary disorder and interruption in operation process of plant and machinery, of the Government is not based on facts as in three out of the four distilleries the same issue was raised by us last year and rectification of the faults has not been carried out.

¹⁶ COT Register and AT Lab Reports.

¹⁷ Lords Distillery, Ghazipur, Unnao Distillery and Breweries Ltd, Unnao, Modi Distillery, Ghaziabad and Wave Distillery and Breweries Ltd., Ahmadpura, Aligarh.

¹⁸ Percentage of potable alcohol: Lords Distillery, Ghazipur-99.9, Unnao Distillery and Breweries Ltd, Unnao-100, Modi Distillery, Ghaziabad-61.37 and Wave Distillery and Breweries Ltd., Ahmadpura, Aligarh-100.

¹⁹ Compounding: Lords Distillery, Ghazipur (in both cases - ₹ 3,000), Unnao Distillery and Breweries Ltd, Unnao (in both cases - ₹ 10,000) and Wave Distillery and Breweries Ltd., Ahmadpura, Aligarh (in seven cases out of 14 cases - ₹ 34,000).

²⁰ Forfeiture of security deposit: Unnao Distillery and Breweries Ltd, Unnao (in both cases - ₹ 45,000) and Wave Distillery and Breweries Ltd., Ahmadpura, Aligarh (in seven cases out of 14 cases - ₹ 1.40 lakh).

3.13 Short realisation of testing fee

Three regional laboratories at Gorakhpur, Lucknow and Meerut are established to conduct chemical examination of molasses, alcohol, beer and other chemicals received from distilleries, breweries, sugar factories, liquor shops and alcohol based industries to ensure quality maintenance and proper control. A central laboratory at Allahabad co-ordinates and controls the regional laboratories.

As per Government order issued on 06 October 2006, rates of samples' testing fee were revised from ₹ 80 per sample to ₹ 160 per sample. The revised rates were effective from 06 October 2006. A sample was to be received in the laboratory along with requisite testing fee.

During the audit (April 2011) of the records (AT Lab Reports) in the office of the Excise Commissioner and information collected (November 2012) there from we observed that during the period 2008-09 to 2011-12, 36,635 samples were tested by Alcohol Technologists (ATs) and against due amount of ₹ 58.62 lakh as testing fee, realised only ₹ 36.55 lakh. Thus, there was short

realisation of testing fee of ₹ 22.06 lakh.

After we pointed this out (November 2011) the Government accepted our observation in July 2012 and stated that testing fee of ₹ 12.03 lakh for the year 2009-10 and 2010-11 has been realised. We have not received report on recovery for the year 2008-09 and 2011-12 (February 2013).

3.14 Short levy/realisation of licence fee for FL-2 licences

As per Rule 4(C) of Uttar Pradesh Excise (Settlement of licences for wholesale supply of foreign liquor) Rules, 2002 (as amended) licence would be given in FL-2 form for wholesale supply of foreign liquor, beer and wine. Further under Rule 6 (Grant of licence) of the Rules ibid FL-2 licence would be issued district-wise.

As per Excise Policy 2010-11 and 2011-12, the licence fee for wholesale supply of IMFL (FL-2 licence) was to be fixed on the basis of consumption of estimated number of bottles sold by retailers of the district during previous year as described below:

Sl. No.	Estimated number of bottles sold by retailers during previous years in district	Licence fee (₹ in lakh)
1.	Up to 7 lakh bottles	05.00
2.	Between 7 lakh to 15 lakh bottles	10.00
3.	Between 15 lakh to 25 lakh bottles	20.00
4.	Between 25 lakh to 30 lakh bottles	30.00
5.	More than 30 lakh bottles	40.00

During test check (April 2011) of records²¹ of office of the Excise Commissioner and information collected there from, we observed that FL-2 licences were not settled for the years 2010-11 and 2011-2012 in 20 and 21 districts of the State respectively. On examining the records we noticed that in seven and eight districts²² respectively for years 2010-11 and 2011-2012 there was short realisation of revenue due to non realisation of the

correct licence fee. The Excise Commissioner authorised the FL-2 licensees of the neighbouring districts for supply of IMFL in these districts having no FL-2 licences but the licence fee for these was not correctly levied/realised from such licensees. The basis of computation of licence fee was number of bottles sold in the original district covered under their licences only. As these licensees were authorised to supply the IMFL to a different district also, their total sales increased. Hence in computing the licence fees to be paid by the licensee in the original district, the sales figures for both original and additional district were needed to be taken into account and licence fee revised accordingly. This omission resulted in short realisation of revenue of ₹ 80 lakh as detailed in **Appendix-VIII**.

After we pointed this out (July 2011) the Government replied (August 2012) that FL-2 licences are not compulsory for every district and as per condition 11 of FL-2 licence, the licensee may sell foreign liquor to the retail licensees outside his jurisdiction on permission of the Excise Commissioner. The reply of the Government has not addressed our point which was on the incorrect licence fee computation as the total number of bottles sold by the FL-2 licensee in original district and additionally permitted districts were not compiled for computation of the levy of the licence fee.

²¹ Files of settlement of licences, Sale / consumption statement, Receipt book and Cash book.

²² 2010-11 and 2011-12 – Lakhimpur Kheri, Pratapgarh and Siddharth Nagar.
2010-11 – Hardoi, Chandauli, Kanshiram Nagar and Ambedkar Nagar.
2011-12 – Pilibhit, Sant Kabir Nagar, Chitrakoot, Hamirpur and Mahoba.

3.15 Non/short levy of licence fee on wholesale supply of beer

As per Rule 4(C) of Uttar Pradesh Excise (settlement of Licences for wholesale supply of foreign liquor) Rules, 2002 (as amended) the settlement of wholesale supply of foreign liquor, beer and wine can be made by the FL-2 licensees.

As per Excise Policy 2009-10 and 2010-11, the licence fee for FL-2 licence was to be fixed on the basis of estimated number of bottles sold by retail shops during previous year as detailed below:

Sl. No.	Estimated number of bottles sold by retailers during previous year in district	Licence fee (₹ in lakh)
1.	Up to 7 lakh bottles	5.00
2.	Between 7 lakh to 15 lakh bottles	10.00
3.	Between 15 lakh to 25 lakh bottles	20.00
4.	Between 25 lakh to 30 lakh bottles	30.00
5.	More than 30 lakh bottles	40.00

Further, as per Rule 4 (E) of the Rules *ibid*, for the wholesale supply of beer only, licences in form FL-2B shall be granted on payment of ₹ 5 lakh as licence fee.

During test check (September 2011 to November 2011) of records²³ in the offices of five District Excise Officers and information collected from office of the Excise Commissioner, we observed that during the year 2009-10 and 2010-11, in 52 and 54 districts respectively, FL-2 licensees were also authorised to supply beer along with IMFL to retail shops. The licence fees for FL-2 licensees were recovered on the basis of estimated number of bottles of IMFL alone sold during previous year, without taking into account the total number of beer bottles sold by the licensees. Also no separate FL-2B licences were granted in these districts. This resulted in short-realisation of revenue of ₹ 9.25 crore as detailed in **Appendix-IX**.

After we pointed this out (October and November 2011) the Government replied (August 2012) that licence fee for FL-2 licence was to be fixed on the basis of estimated number of bottles of IMFL alone sold during previous year. We do not agree with the reply of the Government as the excise policy of the relevant years does not specify that only IMFL bottles sold will form the basis of calculation of the licence fee of FL-2 licensees. Since in these districts FL-2B licences were also not granted, there has been no licence fee imposed on the sale of beer bottles with a consequent loss of revenue.

²³ Files of settlement of licences, Sale/consumption statement, Receipt book and Cash book.