

Part-II
MEDICINAL & TOILET PREPARATIONS
CHAPTER-I

2.1.1 Introduction:

Medicinal and Toilet Preparations containing alcohol etc. were subjected to state excise duties. Each state government fixed its own rates of duty and followed its own procedure to regulate the imports from and exports to other states of such preparations. Thus the industry manufacturing these preparations had to contend with several handicaps imposed by such diversities in rates and procedure. In order to secure uniformity the entry relating to Excise Duty on Medicinal and Toilet preparations containing alcohol etc. was transferred from the State List to the Union List under the Constitution of India

In such an eventuality the Medicinal and Toilet Preparations (Excise Duties) Act was enacted in 1955 to provide for the levy and collection of duties of excise on medicinal and toilet preparations containing alcohol, narcotic drug or narcotics. This Act extends to the whole of India and was enforced with effect from 1st April, 1957. This is a very short Act containing only 21 Sections. Sections 1 and 2 are preliminary. Sections 3 to 8 deal with levy and collection of duties whereas Section 9 to 18 relate to powers and duties of officers and land holders. Sections 18 to 21 are supplementary provisions.

Section 19 of the Act empowers the Central Government to make rules to carry out the purpose of the Act. The Central Government in exercise of the powers conferred by Section 19 of the Act framed the Medicinal and Toilet Preparations (Excise Duties) Rules, 1956. These rules are divided in XI Chapters. Chapter I consisting of rules 1 to 3 are preliminary. Rules - 4 and 5 in Chapter II deal with appointment of officers. Chapter III consisting of rules 6 to 17 relates to levy, refund of and exemption from duty and rules 18 to 68 in Chapter IV deal with manufacture of medicinal and toilet preparations containing alcohol, opium, Indian hemp and other narcotic drugs and narcotics. Chapter V consisting of rules 69 to 81 relates to warehousing and its establishment. Chapter VI is a procedural chapter for obtaining licence covered under rules 82 to 96. Chapter VII consisting of rules 97 to 103 deals with export under claim for rebate of duty or under bond. Inter-State movement of medicinal and toilet preparations have been discussed in Chapter VIII under rules 104 to 109. Chapter IX consisting of rules 110 to 122 deals with entry, search, seizure and investigation. Rules 123 to 129 in Chapter X provides for penalties, confiscation and appeals. Rules 130 to 143 covered under Chapter XI are miscellaneous matters.

CHAPTER-II

2.2.1 Legislative Background:

By virtue of entry 40 in List II in the Seventh Schedule to the Constitution of India Act, 1935, medicinal and toilet preparations containing alcohol, etc. were subjected to Provincial excise duties. Each Provincial Government fixed its own rates of duty and followed its own procedure to regulate the imports from and exports to other Provinces of such preparations so that the industry manufacturing these preparations had to contend with several handicaps imposed by such diversities in rates and procedure. In order to secure uniformity, the entry relating to excise duty on medicinal and toilet preparations containing alcohol etc. was transferred, under the Constitution, from the State List to the Union List.

The Bill was intended to implement these provisions of the Constitution, and proposed uniform rates of excise duty and a uniform procedure for the collection thereof. In the case Part A and Part B states, the actual collection of the duties will be left with the Governments of the States, as required by Art. 268 of the Constitution. The existing duties and procedures for collection under the pre-constitution statutes of the States which are at present protected under Art. 277 will be replaced by the rates and the procedures proposed in the Bill.

Excise duties on medicinal and toilet preparations are levied and collected under the authority of the following Central Act and the rules made there under:-

- i. The Medicinal and Toilet Preparations (Excise Duties) Act, 1955
- ii. The Medicinal and Toilet Preparations (Excise Duties) Rules, 1956

Besides the above Act and Rules, the following Act and Rules are also applicable:-

- i. The Narcotic Drug and Psychotropic Substances Act, 1985
- ii. The Narcotic Drug and Psychotropic Substances Rules, 1985

CHAPTER-III

2.3.1 Organisational Set up:

Excise Department in Government of West Bengal is headed by the Principal Secretary/Secretary who is assisted by a Deputy Commissioner of Excise. The Special Section of Excise Directorate headed by a Deputy Commissioner of Excise (DCE), administers and regulates the use of alcohol for industrial, medicinal and cosmetic purposes subject to the general control of Excise Commissioner, West Bengal.

Superintendents of Excise (SE), Additional Superintendents of Excise (ASE) assist the DC in discharging the function regulating and controlling the excise duties through Deputy Excise Collectors, Sub-Inspectors of Excise and Excise Constables.

Special section of Excise Directorate also deals with the Bengal Excise Act, 1909 as amended up to date in regulating and controlling the provisions relating to rectified spirit including self-generated Spirit and special denatured Spirit, ordinary denatured spirit and methanol for use in the medicinal and toilet preparation and also for other industrial purposes. This section also administers the Narcotic Drug and Psychotropic Substances (N.D.P.S), Act 1985 and N.D.P.S Rules, 1985 framed in West Bengal by regulating and controlling Narcotics Drugs and manufactured drugs such as Opium, Ganja, Codeine, Morphine and Pethedine etc.

CHAPTER-IV

Definitions and Taxing Provisions

2.4.1 Definitions:

The terms and words used in the Acts and Manuals have been defined in the Section 2 of the Acts and Rule 2 of the Rules

2.4.1.1 “alcohol” means ethyl alcohol of any strength and purity having chemical composition C_2H_5OH ;

2.4.1.2 “absolute alcohol” means alcohol conforming to the British Pharmacopoeial specification for dehydrated alcohol;

2.4.1.3 “bonded manufactory” means the premises or any part of the premises approved and licensed for the manufacture and storage of medicinal and toilet preparations containing alcohol, opium, Indian hemp and other narcotic drugs or narcotics on which duty has not been paid;

2.4.1.4 “chemical examiner” means the Chemical Examiner to the State Government and includes such other officer whom the State Government or the Central Government may at any time appoint as Chemical Examiner;

2.4.1.5 “coca derivative” means --

i. crude cocaine that is an extract of coca leaf which can be used directly or indirectly, for the manufacture of cocaine;

ii. ecgonine, that is laevo-ecgonine having the chemical formula, $C_9H_{15}NO_3$ H_2O , and all the derivatives of laevo-ecgonine from which it can be recovered and

iii. cocaine, that is, methyl-benzoyl laevo-ecgonine having the chemical formula, $C_{17}H_{21}NO_4$ and its salts;

2.4.1.6 “coca-leaf” means--

i. the leaf and young twigs of any coca plant, that is, of the *Erythroxylon coca* (Lamk) and the *Erythroxylon novo-granatense* (Hiern) and their varieties, and of any other species of this genus which the Central Government may, by notification in the Official Gazettee, declare to be coca plants for the purpose of this Act, and

ii. any mixture thereof, with or without neutral materials;

2.4.1.7 “collecting Government” means the Central Government or, as the case may be, the State Government which is entitled to collect the duties levied under this Act;

2.4.1.8 “derivative of opium” means –

i. Medicinal opium, that is, opium which has undergone the processes necessary to adopt it for medicinal use;

ii. prepared opium, that is, any product of opium obtained by any series of operations designed to transform opium into an extract suitable for smoking and the dross or other residue remaining after opium is smoked ;

iii. morphine, that is, the principal alkaloid of opium having the chemical formula $C_{17}H_{19}NO_8$, and its salts and its derivatives;

2.4.1.9 “denatured spirit” or “denatured alcohol” means alcohol of any strength which has been rendered unfit for human consumption by the addition of substances approved by the Central Government or by the State Government with the approval of the Central Government;

2.4.1.10 “duty” means the duty of excise payable under Section 3 of the Act;

2.4.1.11 “dutiable goods” means the medicinal and toilet preparations specified in the schedule as being subject to the duties of excise levied under this Act;

2.4.1.12 “excise officer” means an officer of the Excise Department of any State and includes any person empowered by the collecting Government to exercise all or any of the powers of an excise officer under this Act.

2.4.1.13 “finished store” means that portion of a non-bonded or bonded manufactory which is set apart for the storage of its finished preparations;

2.4.1.14 “gauge” means to determine the quantity of alcohol or dutiable goods contained in or taken from, any cask or receptacle or to determine the capacity of any cask or receptacle;

2.4.1.15 “indian hemp” means-

i. the leaves, small stalks and flowering or fruiting tops of the Indian hemp plant (*Cannabis-sativa* L), including all forms known as bhang, siddhi or ganja;

ii. charas, that is, the resin obtained from the Indian hemp plant, which has not been submitted to any manipulations other than those necessary for packing and transport;

iii. any mixture; with or without neutral materials, of any of the above forms of Indian hemp or any drink prepared therefrom and

any extract or tincture of the above forms of Indian hemp;

iv.

2.4.1.16 “laboratory” means that part of a non-bonded or bonded manufactory in which the actual manufacture of dutiable goods takes place;

2.4.1.17 “manufacture” includes any process incidental or ancillary to the completion of the manufacture of any dutiable goods;

2.4.1.18 “medicinal preparation” includes all drugs which are a remedy or “prescription” prepared for internal or external use of human beings or animals and all substances intended to be used for or in the treatment, mitigation or prevention of disease in human beings or animals;

2.4.1.19 “narcotic drug” or “narcotic” means a substance which is coca leaf or coca derivative, or opium or derivative of opium, or Indian hemp and shall include any other substance, capable of causing or producing in human beings dependence, tolerance and withdrawal syndromes and which the Central Government may, by notification in the official Gazette, declare to be a narcotic drug or narcotic;

2.4.1.20 “opium” means -

i. the capsules of the poppy (*Papaver Somniferum* L), whether in their original form or cut, crushed or powdered and whether or not juice has been extracted therefrom;

ii. the spontaneously coagulated juice of such capsules which has not been submitted to any manipulations other than those necessary for packing and transport; and

iii. any mixture, with or without neutral materials of any of the above forms of opium, includes any derivative of opium;

2.4.1.21 “prove” means to test the strength of alcohol by hydrometer or other suitable instrument;

2.4.1.22 “rectified spirit” means plain undenatured alcohol of a strength not less than 50. over proof includes absolute alcohol;

2.4.1.23 “restricted preparation” means every medicinal preparation specified in the schedule and includes every preparation declared by the Central Government as restricted preparation under these rules;

2.4.1.24 “spirit store” means that portion of the bonded or non-bonded manufactory which set apart for the storage of alcohol, opium, Indian hemp and other narcotic drugs or narcotic purchased free of duty or at prescribed rates of duty specified in the schedule to the Act;

2.4.1.25 “sub-standard preparation” is-

i. a pharmacopoeial preparation in which the amount of any of the various ingredients is below the minimum that the pharmacopoeial composition would require, or

ii. a proprietary medicine which does not conform to the formula or the list of ingredients disclosed on the label on the container or on the container ;

2.4.1.26 “toilet preparation” means any preparation which is intended for use in the toilet of the human body or perfuming apparel of any description or any substance intended to cleanse improve or alter the complexion, skin, hair or teeth, and includes deodorants and perfumes (item a to j - Section 2);

2.4.1.27 “unrestricted preparation” means any medicinal preparation containing alcohol but other than a restricted preparation or a spurious preparation;

2.4.1.28 “warehouse” means any place or premises licensed under rule 70.

2.4.2 Levy and collection of duties

2.4.2.1 Levy and collection of duties of excise on goods: Section 3 of the Act stipulates that

i. excise duties shall be levied on all dutiable goods manufactured in India at the rates specified in the schedule;

ii. the duties aforesaid shall be levied –

a. in the State in which such goods are released from a bonded warehouse for home consumption, whether such state is the state of manufacture or not;

b. in the State in which such goods are manufactured if the dutiable goods are not manufactured in bond.

Explanation – Dutiable goods are said to be manufactured in bond if they are allowed to be manufactured without payment of any duty of excise leviable under any law for

the time being in force in respect of alcohol, narcotic drug or narcotic which is to be used as an ingredient in the manufacture of such goods.

Schedule of rates of excise duty is shown in Annexure -A

2.4.3 Rebate on duty on dutiable goods containing alcohol

Section 4 of the Act provides that a rebate to the manufacturer of excisable goods using alcohol, narcotic drug or narcotic or any dutiable goods shall be granted by the collecting Government of the duty of excise on the goods so supplied for manufacture had already been recovered by such Government,

2.4.4 Recovery of Government dues

Section 5 of the Act provides that the Excise Officer may recover the duty and any other sums payable to the collecting Government by deducting the amount from any money owing to the person which is in his hands or under his disposal or control. The dues may be recovered by attachment and sale of dutiable goods belonging to such person. If the amount payable is not so recovered, he may prepare a certificate specifying the amount due from the person and send it to the Collector of the district in which such person resides or conducts his business for recovery from the said person the amount specified therein as an arrear of land revenue.

2.4.5 Levy and refund of, and exemption from duty

Rule 6 to 17 of M&TP (ED) Rules deals with the levy, refund and exemption of duties of excisable goods used for medicinal preparation.

2.4.5.1 Recovery of duty

Rule 6 of the Rules stipulates that every person who manufactures any dutiable goods or who stores such goods in a warehouse shall pay the duty or duties leviable on such goods under the Act whether the payment of such duty or duties is secured by bond or otherwise.

2.4.5.2 Exemption from duty on medicinal preparation

Rule 7 of the rules stipulates that no duty shall be collected on medicinal preparation containing alcohol manufactured in India and supplied direct from a bonded manufactory or a warehouse to the following institutions:

- a. hospitals and dispensaries working under the supervision of the Central Government or a State Government;
- b. hospitals and dispensaries subsidised by the Central Government or a State Government;
- c. charitable hospitals and dispensaries under the administrative control and management of a local body;
- d. Medical Store Depot of the Central Government or a State Government; and
- e. other institutions certified by the Principal Medical Officer of the district in which such institution is situated as supplying medicines free to the poor.

If any loss or shortage is detected at the destination, the manufacturer or the licensee of a warehouse, shall be liable to pay duty on such loss or shortage at the rate in force on the date on which such loss or shortage is detected :

However, the Excise Commissioner may remit the whole or part of the duty payable, if the loss or shortage was beyond the control of the manufacturer or licensee.

2.4.5.3 Power to exempt from duty in special cases

Rule 8 stipulates that the Central Government may exempt any dutiable goods from payment of duty of the whole or any part of the duty leviable on such goods if in the opinion of that Government it is necessary to grant such exemption in the interest of trade or in the public interest.

2.4.5.4 Time and manner of payment of duty

Rule 9 of M&TP (ED) Rules describes the procedure for payment of excise duty leviable on dutiable goods for removal of them from the place of manufacture or any premises appurtenant thereto, for consumption, export or manufacture of any other commodity in or outside such place.

No dutiable goods shall be removed without payment of duty except under bond for deposit in a warehouse or export out of India as provided in rule 97:

Further the manufacturer may open an account-current of the duties payable and the account-holder shall periodically deposit a sum therein sufficient to cover the duty on the goods intended to be removed from the place of manufacture or storage instead of payment of duty in respect of each separate consignment of goods removed from the place or premises specified in this behalf. Such account shall be settled at intervals not exceeding three months,

If any dutiable goods are deposited in, or removed from, any place specified therein the manufacturer thereof shall pay the duty leviable on such goods upon written demand made by the proper officer, and he shall also be liable to pay penalty to be determined by the Excise Commissioner which may extend to two thousand rupees, and such goods shall also be liable to confiscation.

2.4.5.5 Alteration of duty

Rule 10 of the Rules provides that the rate of duty applicable to goods cleared on payment of duty shall be the rate in force on the date on which duty is paid or if the goods are cleared from a manufactory or warehouse, on the date of the actual removal of such goods from such manufactory or warehouse.

However, if the goods have previously been removed from a warehouse under bond to be re-warehoused, and the duty is paid on such goods without their being re-warehoused, the rate in force on the date on which duty paid, is applicable, or if duty is paid through an account-current maintained with the Excise Commissioner under rule 9 on the date on which an application in Form A.R. 2 is delivered to the officer-in-charge of the warehouse from which the goods were removed.

2.4.5.6 Recovery of duties

Rule 11 deals with the procedure of recovery of duties or charges short levied or erroneously refunded.

Duties or charges levied short through inadvertence, error, collusion or mis-construction on the part of an Excise Officer, or through misstatement as to the quantity or description of such goods by the owner shall pay the deficiency or duty or

charge refunded erroneously to the owner, shall repay the amount paid to him in excess. The demand shall be made within six months from the date on which the duty or charge was paid or adjusted in the owner's account-current, if any, or from the date of making the refund.

2.4.5.7 Refund of duties or charges

Rule 13 stipulates that no refund of duties or charges shall be made unless a written claim is lodged with the proper officer within six months from the date of payment or adjustment in an account-current of duties or charges under rule 9 paid through inadvertence, error or misconception.

2.4.5.8 Rebate of duty on goods exported

Rule 14 provides that the collecting Government may grant rebate of duty on dutiable goods, if exported out of India.

2.4.5.9 Export under bond

Rule 15 provides that dutiable goods may be exported out of India, without payment of duty, from a warehouse or an bonded manufactory after entering into a bond in Form B-3 with such surety or sufficient security and the export is made in accordance with the procedure set out in the relevant provisions of Chapter VII of these rules within the period specified by the officer-in-charge under rule 99. Such bond shall not be discharged unless the goods are duly exported out of India, nor until the full duty due upon any deficiency of goods has been paid.

2.4.5.10 General bond by an exporter

Under Rule 16 of the rules, the Excise Commissioner may permit any licensed person to export from his State under sub-rule (3) of rule 99, dutiable goods on which duty has not been paid after execution of a general bond in Form B-3 with such surety or sufficient security. .

CHAPTER-V

Manufacture of Medicinal and Toilet Preparations

2.5. Rule 18 to 68 of Chapter IV of these Rules deals with the various conditions for supplying and use of spirit in manufacturing of medicinal and toilet preparations containing alcohol.

2.5.1 Supply of rectified spirit

Rule 18 states that rectified spirit shall ordinarily be supplied to a manufacturer from a distillery or a spirit warehouse of the State in which the manufactory is situated. The manufacturer, however, may obtain his requirements of rectified spirit from sources outside the State.

2.5.2 Wastage in transit of rectified spirit

Rule 19 of these rules provides that the duty payable due to loss in transit, not due to negligence or connivance on the part of the manufacturer of spirit may be waived in full or in part according to the merits of the case. However, the concession in this rule shall not be applicable to issue of rectified spirit made to non-bonded manufactories except with the prior sanction of the State Government.

2.5.3 Manufacture

Under the provision of Rule 20 medicinal and toilet preparations containing alcohol may be manufacture in bond without payment of duty under excise supervision and outside bond only alcohol on which duty has already been paid shall be used.

SECTION A

Manufacture in bond of medicinal and toilet preparations containing alcohol, Indian hemp and other narcotic drugs and narcotics

2.5.4 Manufacture in bond of medicinal and toilet preparations

Detailed procedures for manufacturing of medicinal and toilet preparation in bond including issue and storage of rectified spirit and storage of finished product has been prescribed in Section A of Chapter IV of these Rules.

Under Rule 21 rectified spirit may be issued without previous payment of duty for the manufacture of medicinal and toilet preparations containing alcohol subject to the conditions that the manufacturer enters into a bond in Form B-1 with sufficient security, as laid down in rule 96 towards due payment of duty and observance of the rules.

Under Rule 22, rectified spirit required for manufacturing medicinal and toilet preparations shall be obtained on an indent in Form I.D.-1 countersigned by the officer-in-charge, from any distillery or spirit warehouse approved by the Excise Commissioner.

2.5.5 Verification of rectified spirit received –

Rule 27 provides that the consignments of rectified spirit received under bond shall be verified in volume and strength and entered in a register in Form R.G.-2. On all wastage duty at the rate levied by the State Government on alcoholic liquors shall be paid by the licensee of the bonded manufactory into a Government treasury on

receipt of a demand from the officer-in-charge and a copy of the treasury receipt shall be sent to the distillery officer for necessary adjustment in his register.

2.5.6 Issues of rectified spirit from the spirit store

Rule 29 regulates the issue of spirit from the spirit store

- i. Rectified spirit shall be issued from the spirit store to the laboratory of the manufactory on a requisition of the licensee in Form R.Q.-1.
- ii. Finished medicinal or toilet preparations may be transferred from the finished store to the laboratory of the manufactory, for addition to raw materials for the preparation of the same or any other kind of preparation on written requisition from the licensee.

2.5.7 Indent for opium, Indian hemp and other narcotic drugs and narcotics

Under the provision of Rule 30 indent for opium shall be made in Form I.D-1 to the nearest sub-treasury or the Government Opium Factory, Ghazipur or to the warehouse or to the place of storage approved by the State Government. The supply of opium, Indian hemp, narcotic drugs and other narcotics shall be made under permit as prescribed in Rule 26. On their receipt in the bonded manufactory they shall be verified and accounted for in the register in Form R.G.-2 as in the case of alcohol, opium, Indian hemp, narcotic drugs and other narcotic obtained by the licensee free of duty shall be stored separately in the spirit store and secured by excise ticket locks. They shall be issued for the manufacture of medicinal preparations only on a requisition in Form R.Q.-1 by the licensee as in the case of alcohol.

2.5.8 Manufactured dutiable goods

According to Rule 31, each preparation manufactured shall be registered and shall bear a distinctive batch number and entered in the register in Form R.G-3. This register shall also show the receipt and disposal of all alcohol issued to the laboratory from the spirit store and the quantity of finished medicinal preparation manufactured therefrom. It shall be stored in vessels provided for the purpose and accounted for in the register in Form R.G.-4. The issue of opium, Indian hemp, narcotic drugs and other narcotics shall be made under the appropriate permit and the advice portion of such permit shall be sent to the officer-in-charge.

2.5.9 Determination of strength of alcohol

Alcoholic strength of a preparation is determined according to Rule 33 which stipulates that

- i. On completion of production of a medicinal or toilet preparation, the officer-in-charge shall permit the licensee to take free sample of 227 ml. or such quantity of the preparation as the officer-in-charge considers necessary for analysis in his own laboratory and declaration of the strength of alcohol and medicaments.
- ii. A separate account of the quantity used by the licensee for analysis shall be maintained.
- iii. The alcoholic strength of a preparation as declared by the licensee shall be entered in a register in Form R.G.-3.
- iv. The officer-in-charge shall take two samples from each batch of such finished preparation for analysis and report by the Chemical Examiner.

v. All such samples sent shall be sealed by the officer-in-charge and the licensee of the manufactory.

vi All samples required for analysis under these rules shall be supplied free of cost by the licensee and all expenses in connection with packing and despatch of the samples shall be borne by him. Samples of medicinal or toilet preparation may also be taken at any time by the officer-in-charge or other superior officer and such samples shall be sent to the Chemical Examiner for analysis and check.

2.5.10 Storage of finished products

According to Rule 34 of the M&TP (ED) Rules medicinal and toilet preparation stored in the store room may be left in store room for a period of three years or for such extended period as the Excise Commissioner may allow. The owner of the bonded laboratory shall, before the expiry of the period of three years or the extended period, if any, clear the same for consumption in the State on payment of excise duty or for removal in bond to a bonded warehouse or for exportation.

2.5.11 Deficiency in the finished store

According to Rule 35 of the M&TP (ED) Rules the officer-in-charge shall record all deficiencies in bulk content of any finished medicinal or toilet preparation in store in Form R.G.-4 and a report of all such deficiencies, be submitted by him to the Excise Commissioner at the end of each quarter.

All such loss shall be subject to levy of duty on the quantity so lost at penal rates which shall not be more than double the rates prescribed.

However, if the loss is due to natural or unavoidable causes and the alcoholic preparation has not gone into consumption, the Excise Commissioner may remit the duty.

2.5.12 Disposal of sub-standard preparations

Rule 36 of the M&TP (ED) Rules provides that finished medicinal or toilet preparation which is or is suspected to have deteriorated in quality may, be destroyed with the permission of the Excise Commissioner, in the presence of the officer-in-charge and relevant entries made in the register in Form R.G.-4 or be allowed to re-process a sub-standard preparation.

Excise duty shall not be levied on the preparation so destroyed if the deterioration of the preparation, or in the alternative its improper manufacture, was due to reasons beyond the control of the licensee.

2.5.13 Disposal of recovered alcohol

According to Rule 37 of M&TP (ED) Rules alcohol recovered in the course of production of a medicinal or toilet preparation or distilled separately from the mark of such preparation may be used for subsequent production of the same preparation provided such alcohol is collected separately and accounted for separately.

In case the alcohol recovered from a preparation liable to duty at the lower rate is sought to be used in the manufacture of a preparation subject to higher rate of duty, the duty on the preparation so manufactured shall be collected or made leviable on determination of the spirit strength of the preparation.

An account of recovered alcohol in a recovered alcohol vat shall be maintained by the officer-in-charge in Form R.G.-2. Recovered alcohol declared by

the licensee to be unfit for use shall be destroyed by him in the presence of the officer-in-charge on submission of written application. No rebate of duty shall be allowed on recovered alcohol so destroyed.

2.5.14 Wastage in manufacture

According to Rule 38 of M&TP (ED) Rules, any wastage that exceeds the allowable limit fixed by State Government from time to time and is not properly accounted for shall be charged with the duty together with such penalty not exceeding the duty leviable thereon. If the alcoholic strength of a preparation is found by the Chemical Examiner to exceed the higher allowable limit by more than 3 proof degrees or to be below the lowest allowable limit, its issue from the bonded manufactory, shall be withheld.

The licensee may be allowed to adjust the alcoholic strength or the medicaments or the ingredients of such a batch of preparation in a suitable manner with the previous approval of the Excise Commissioner provided the process employed does not impair the therapeutic or toilet properties of the preparation in any way.

A sample of the preparation shall be sent to the Chemical Examiner for analysis after adjusting the spirit or medicaments or other ingredients, and issue of the adjusted batch of such preparation shall be allowed only when the Chemical Examiner's report has been found to be satisfactory.

When an excess of more than 20 proof degrees over the strength declared by the licensee of any batch of preparation is found by the Chemical Examiner, the true strength, as ascertained by the Chemical examiner, shall be entered in the batch account in Form R.G.-3, and the reason for this alteration shall be briefly noted in the remarks column, and the excess duty due from the licensee or any quantity issued from the batch on payment of such duty to the credit of the Central Government (in the case of Union Territories) or the State Government prior to the receipt of the Chemical Examiner's report, shall be authorised by the officer-in-charge with the previous sanction of the Excise Commissioner.

No refund or abatement of excess duty shall be allowed on any quantity of a batch of preparation issued on payment of such duty and prior to the receipt of the Chemical Examiner's report, if the strength is found to be lower than that declared by the licensee.

2.5.15 Remission of duty on loss of alcohol due to accident

Rule 39 of the Rules provides that any accidental loss of alcohol in the bonded manufactory, otherwise than by theft or the loss is found to be beyond the control of the licensee the duty on the alcohol so lost shall be remitted with the approval of the Excise Commissioner or of the Excise Officer subordinate to the Excise Commissioner specially empowered by him in this behalf.

2.5.16 Issue from a bonded manufactory

According to Rule 40 issues of alcoholic preparation and preparations containing opium, Indian hemp or other narcotic drugs and narcotics shall be made from a bonded manufactory on payment of duty on an application in Form A.R.-2 signed by him or by his authorised representative.

However, issue to another bonded warehouse shall be made without payment of duty under proper security.

2.5.17 Accounts

2.5.17.1 Rule 41 provides that the licensee shall

- i. maintain accounts in proper forms and registers as prescribed in the rules.
- ii. deliver to the officer-in-charge, by the 5th of each month, a return of transactions of business in respect of the preceding month in Form R.T.-1.

2.5.17.2 Rule 43 prescribes that the Officer-in-charge shall maintain accounts in the prescribed form and shall take steps to ensure that the licensee also maintains accounts. Separate accounts shall be written up daily by the officer-in-charge and the licensee and shall be compared and reconciled before the manufactory is closed at the end of the day's transactions.

2.5.18 Responsibility of collection of duty

According to Rule 44, the officer-in-charge shall be responsible for correct collection of duty and penalty, if any, at the prescribed rate before any medicinal or toilet preparation containing alcohol are allowed to be removed from the premises except in the case of exports or removal under bond or under such conditions as may be permitted by the Excise Commissioner.

SECTION - B

Manufacture outside bond of medicinal and toilet preparations containing alcohol, Indian hemp and other narcotic drugs and narcotics

2.5.19 Manufacture outside bond of medicinal and toilet preparations

Detailed procedures for manufacture of medicinal and toilet preparation outside bond including issue and storage of rectified spirit and storage of finished product have been prescribed in Rule 46 to 57 of Section B of Chapter IV of these Rules.

2.5.20 Indent for rectified spirit-duty paid

Rule 49 deals with the procedure for obtaining rectified spirit to be used for manufacture of medicinal and toilet preparation outside bond

2.5.20.1 Rectified spirit required for manufacturing medicinal and toilet preparations shall be obtained on indent prepared in Form I.D-1 in triplicate, from any distillery or spirit warehouse approved by the Excise Commissioner. The original being sent to the distiller or spirit warehouse-keeper, the duplicate to the officer-in-charge of the distillery or spirit warehouse through the proper officer and the triplicate retained by the licensee as office copy. The cost of such rectified spirit shall be paid by the licensee of the manufactory to the distiller or spirit warehouse-keeper. The licensee shall credit the duty payable on the spirit indented for into a Government treasury of the collecting Government and enclose the *challan* in token of such payment, to the duplicate copy of the indent. The treasury officer shall send an advice of such payment to the officer-in-charge of the distillery or spirit warehouse. The officer-in-charge of the distillery or warehouse, after satisfying himself that correct amount of duty has been paid, as evidenced by the challan enclosed by the licensee and the advice of such payment received, from the treasury officer, shall order the issue of rectified spirit required. The rectified spirit shall be bought from the distillery or spirit warehouse to the manufactory covered by a permit issued by the officer-in-

charge of the distillery or spirit warehouse. All such permits shall be filed along with respective indents. The rectified spirit so brought into the non-bonded manufactory shall be immediately transferred to the spirit store and the necessary accounts written up then and there in the register in Form R.G.-2. Accounts of all transactions in respect of rectified spirit purchased paying the duty of Rs 10, Rs 20 and Rs 80 per London Proof Litre shall be maintained separately.

2.5.20.2 Where the manufactory as well as the warehouse from which rectified spirit is to be obtained are located within the same State, the licensee may authorise the owner of the distillery or warehouse to pay the duty on his behalf before the issue of rectified spirit. On such authorisation the owner of the distillery or warehouse shall pay the amount of duty into a Government treasury to the credit of the collecting Government or in such manner as may be prescribed by the Excise Commissioner.

2.5.21 Indent for opium, Indian hemp and other narcotic drugs and narcotics, their storage and issue for manufacture

Rule 50 describe the procedure for obtaining opium, Indian hemp and other narcotic drugs and narcotics. Indent for opium shall be made to the nearest sub-treasury or to the Government Opium Factory, Ghazipur or to the warehouse or place of storage approved by the State Government in Form I.D-1. The supply of Indian hemp, narcotic drugs and other narcotics shall be indented for from the nearest Government warehouse or place of storage approved by the Government in the same form. The supply of opium, Indian hemp and other narcotic drugs and narcotics shall be made under permit as prescribed in rule 49. On their receipt in the non-bonded manufactory they shall be verified and accounted for in the register in Form R.G-2. Opium, Indian hemp and other narcotic drugs and narcotics obtained by the licensee free of duty shall be stored separately in the spirit store. Every time opium, Indian hemp other narcotic drugs and narcotics are issued from the spirit store of the laboratory; such issues shall be accounted for in the register in Form R.G-2.

2.5.22 Restriction on manufacture

Rule 51 imposes some restriction on manufacture of medicinal preparations containing alcohol which are capable of being consumed as ordinary alcoholic beverages.

i. The manufacturer shall not sell or transfer the rectified spirit obtained by him to any other person.

ii. Medicinal preparations, containing alcohol and consumed as ordinary alcoholic beverages falling under item No.1(ii) (C) of the Schedule to the Act shall be manufactured from rectified spirit on which duty of Rs.20 per London Profit Litre has been paid and the rectified spirit obtained after payment of the aforesaid duty of Rs.20 shall be accounted for separately.

iii. Medicinal preparations containing alcohol which are capable of being consumed as ordinary alcoholic beverages falling under either item No. 1 (ii) (b) or item No. 2 (iii) of the Schedule to the Act shall be manufactured from rectified spirit on which duty of Rs.80 per London Proof Litre has been paid and the rectified spirit obtained after payment of the aforesaid duty of Rs. 80 shall be accounted for separately.

iv. The quantity of rectified spirit in the possession of the manufacturer shall not exceed the limit fixed by the licensing authority.

2.5.23 Samples for analysis

Rule 53 to 56 of the M&TP Rules describe the procedure of taking sample of the medicinal and toilet preparations for chemical analysis to determine the alcoholic strength of the preparation.

The Excise Officer, in whose jurisdiction the manufactory is situated, shall, take samples of the medicinal and toilet preparations containing alcohol from the finished stocks at least once every month and forward them to the Chemical Examiner for analysis and report whether the alcoholic contents thereof tally with the percentage of alcohol shown on the labels affixed to the bottles.

If the proof strength reported by the Chemical Examiner is more than 3 per cent proof spirit than the strength declared by the manufacturer on the labels pasted on such bottles, the manufacturer is liable to a penalty at the rate of 10 times the difference in duty in the quantity so manufacturer but not exceeding Rs 2,000.

If such differences are found to occur frequently, the Excise Commissioner may order the cancellation of the licence held by the manufacturer.

The manufacturer shall not be entitled to any compensation for the samples taken for the purpose of analysis under these rules.

2.5.24 Classification of Medicinal and Toilet preparations containing Alcohol is shown in Annexure B

2.5.25 List of Forms of Registers and Records is shown in Annexure C

CHAPTER VI WAREHOUSING

2.6.1 Licensing of warehouses

According to Rule 70 the Excise Commissioner shall license a private warehouse for the storage of dutiable goods on which duty has not been paid.

2.6.2 Warehousing of dutiable goods

Rule 72 regulates the warehousing of the dutiable goods. All goods brought for warehousing shall be weighed, gauged and proved. Prior to entry into the warehouse the duty shall be assessed and the quantity and description of the goods, the marks and numbers of the packages, the number and date of the permit and the amount of duty leviable thereon shall be noted in the warehouse register in Form R.G-5.

2.6.3 Removal of goods from warehouse

Rules 74 to 76 regulate the storage in and removal from the warehouse of goods. The rules stipulate that no goods shall be removed from any warehouse except on payment of duty or for removal to any other warehouse or for export and on presentation of a written application prescribed in Rule 81 or Rule 98, as the case may be.

Any goods warehoused may be left in the warehouse for a period of three years or such extended period as the Excise Commissioner in each case allow. The owner of any such goods shall, clear the same for consumption in the State after payment of duty or for removal in bond to another bonded warehouse or for exportation before the expiry of the period mentioned above,

The quantity of goods contained in any packing warehoused may be calculated by weight, measure, gauge, proof strength.

2.6.4 Remission of duty on goods lost or destroyed

Rule 77 empowered the Excise Commissioner to remit the duty if any goods lodged in a warehouse are lost or destroyed by unavoidable accident.

2.6.5 Monthly returns

Rule 80 states that every licensee shall submit to the Excise Commissioner a monthly return within seven days after the close of each month showing the quantity of dutiable goods received, the quantity transferred to another warehouse under bond, the quantity removed on payment of duty.

CHAPTER VII

LICENSING

2.7.1 Form of application

Rule 83 stipulates that every application for grant or renewal of licence shall be accompanied by a treasury challan showing payment of such fee.

Where an application for the renewal of licence is not made within the prescribed period it shall be accompanied by an additional fee, equivalent to twenty-five per cent of such fee or rupee one, whichever is higher.

2.7.2 Revocation and suspension of licence

No refund of licence-fee or any compensation be paid for such cancellation or suspension of licence as per Rule 87.

2.7.3 Refund of licence fee

According to Rule 88 if the licence applied for is refused, the licence-fee paid, if any, with the application shall be refunded

If the applicant surrenders his licence at any time either before the commencement of the licence or during the currency of the licence, he shall forfeit any claim for refund of such licence-fee in full or in proportion to the period not availed of.

2.7.4 Different kinds of licences and their fees are shown in Annexures D & E.

CHAPTER-VIII

Export under claim for rebate of duty or under bond

2.8.1 Rules 97 to 103 regulate the export of dutiable goods.

Duty paid goods shall be exported under claim for rebate of duty. Goods under bond for payment of duty shall be sent to the place of export under bond for their due export.

2.8.2 Application to be submitted

An application in triplicate in Form A.R.-3 shall be submitted by the exporter if the goods are to be exported by land and in Form A.R.-4 if the goods are to be exported by sea or air or by parcel post. The officer-in-charge or the proper officer shall send the original to the customs officer or the border examiner or the postmaster, as the case may be, at the place of export, deliver the duplicate to the consignor and retain the triplicate as office copy. A separate application shall be submitted in respect of each consignment.

2.8.3 Examination of goods prior to despatch

2.8.3.1 Goods under bond –When goods from a bonded manufactory or warehouse are to be exported, the cases or packages, in which such goods are packed, shall be legibly marked in ink or oil colour (or in such other durable manner as the Excise Commissioner may in any particular case allow), with a progressive number commencing with No.1 for each year, with the owner's name and special mark, if any, the total quantity of dutiable goods with their alcoholic contents in London proof litres.

2.8.3.2 Duty paid goods –The manufacturer or wholesale dealer shall present the entire consignment to be exported to the proper officer. The said officer shall take samples from each kind of dutiable goods to be exported and shall allow the despatch of the goods. Thereafter he shall send the samples to the Chemical Examiner for analysis. On receipt of the analysis report of the Chemical Examiner, the proper officer shall enter the alcoholic content in London-proof litres of the goods packed as ascertained by analysis in the duplicate copy of the application which the owner shall present to him before its presentation to the Excise Commissioner for claiming rebate of excise duty as laid down in rule 103.

2.8.4 Claim for rebate

In order to obtain payment of the rebate, the exporter shall produce to the Excise Commissioner from whose jurisdiction the goods were despatched, the duplicate application bearing the certificate of the officer, who examined the goods at the port or post office of export or the frontier, as the case may be. If the Excise Commissioner is satisfied from comparison of the duplicate application with the original received from such certifying officer, that the claim is in order, he shall sanction the rebate:

The claims for rebate of duty shall be made within one month from the date of issue of the certificate of the officer who examined the goods at the port or post office of export or the frontier, as the case may be.

The time for making claims for rebate of duty may be extended beyond one month from the date of issue of the certificate by the Commissioner.

CHAPTER – IX

Movement of Medicinal and Toilet Preparations

2.9.1 Mode of Inter-State movement –

Rule 104 regulates the movement of dutiable goods manufactured under bond or stored in a bonded warehouse in any State.

Unless exempted from payment of duty under Rules 7 and 8, dutiable goods may be removed from such State to any other State:

after payment of duty in the first mentioned State or

in bond, in the manner hereinafter prescribed for movement from one bonded warehouse to another.

2.9.2 Movement from one Bonded Warehouse to another

2.9.2.1 Bond for due arrival and re-warehousing –

Rule 105 regulates the movement of warehoused goods. When warehoused goods are to be removed from one warehouse to another, the consignor or the consignee of the goods shall, before the goods are removed, enter into a bond Form B-4 with such surety or sufficient security as the Excise Commissioner may prescribe, for a sum equal, at least, to double the duty chargeable on such goods for the due arrival and re-warehousing thereof at the warehouse of destination within such time as the officer-in-charge of the warehouse of removal directs. Such bond shall be furnished to the officer-in-charge of the warehouse of removal, or of the warehouse of destination according as the bond is executed by the consignor or the consignee.

Such bond shall not be discharged until, such goods are produced to the officer at the warehouse of destination and are duly re-warehoused or are otherwise accounted for to the satisfaction of the State Excise Officer having jurisdiction over the executor of the bond, nor until the full duty due upon any deficiency on such goods not so accounted for has been paid.

For purposes of such a discharge, if the bond has been furnished by the consignor, an essential condition shall be the prior receipt by the officer-in-charge of the warehouse of removal, of the duplicate application from the officer-in-charge of the warehouse of destination with his re-warehousing certificate recorded therein as hereinafter provide.

The Excise Commissioner may permit any person to remove warehoused goods from one warehouse to another, by entering into a general bond in Form B-4, with such surety or sufficient security in such amount and under such condition, as the Excise Commissioner approves for the removal, from time to time, of any goods from one warehouse to another and for the due arrival and re-warehousing thereof at the warehouse of destination within such time as the officer-in-charge of the warehouse of removal directs.

in the event of death, insolvency or insufficiency of the surety, or where the amount of bond is inadequate the Excise Commissioner may, in his discretion, demand a fresh bond and may, if the bond is with security, demand at any time he considers fit to do so, additional security.

2.9.3 Procedure of movement of goods from one warehouse to another

The application for removal of goods from one warehouse to another in triplicate shall be presented by the consignor to the officer-in-charge of the warehouse removal at least 24 hours before the intended removal together with such other information as the Excise Commissioner may, by general or special rules or order, require.

Such officer shall then take account of the goods, and after completing the removal certificate on all the copies of the application, shall send the duplicate to the officer-in-charge of the warehouse of destination, and hand over the triplicate to the consignor for despatch to the consignee. He shall also over-deliver to the consignor a transport permit.

On arrival of the goods at the warehouse of destination, the consignee shall present them together with the triplicate application and the transport permit to the officer-in-charge of such warehouse, who shall, after taking account of the goods, complete the re-warehousing certificate on the duplicate and the triplicate application and return the duplicate to the officer-in-charge of the warehouse of removal, and the triplicate to the consignee for despatch to the consignor.

The consignor shall present the triplicate application duly endorsed with such certificate to the officer-in-charge of the warehouse of removal within ninety days of the date of issue of the transport permit.

2.9.4 Procedure on failure to pay duty

Rule 109 states that if the owner fails to pay any sum demanded under any of the preceding rules, the officer authorised in this behalf by the State Government may forthwith either proceed upon the bond executed by the owner of such goods, or cause such portion as he thinks fit of such goods (if any) in the warehouse, on account of which the money is due, to be detained to recovering the demand, and if the demand is not discharged within ten days from the date of such detention, due notice thereof being given to the owner, the goods so detained may be sold by public auction duly advertised in the Official Gazette, or in such other manner as the Excise Commissioner may, in any particular case, direct.

The net proceeds of the sales of any goods so detained shall be adjusted against the amount due under the bond and the effect of such adjustment shall be recorded and if there is any surplus remaining after such adjustment, the surplus shall be paid to the owner of the goods:

CHAPTER-X

Offences, Penalties and Miscellaneous

2.10.1 Penalty

If any person by himself or by any person in his employ:-

- i voluntarily obstructs or offers any resistance to or impedes or otherwise interferes with ; or
- ii Willfully gives false or misleading information to the officer shall be liable to a penalty to the extent of five hundred rupees under Rule 111.

2.10.2 According to Sec.7 of the Act, if any person;

- i. contravenes any of the provisions of a notification issued under Sec. 6 ; or
- ii. evades the payment of any duty of excise payable under this Act ,or;
- iii. fails to supply any information which is required by rules made under the Act to supply or
- iv. attempts to commit or abates the commission of any offence mentioned in i or ii above;

he shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to two thousand rupees or with both for every such offence.

2.10.3 Rule 79 provides that if the owner by goods warehoused, by himself or by any person in his employ or by any other person with his connivance commits any of the following offences, namely:

- i. opens any of the locks or doors of the warehouse, which is required by these rules, or by any general or special order of the Excise Commissioner, to be locked or makes or obtains access into such a warehouse except in the presence of an officer acting in his duty as such ; or
- ii. after the approval of a warehouse, makes any alteration therein or addition thereto without the previous consent of the Excise Commissioner ; or
- iii. warehouses goods in, or removes goods from, a warehouse otherwise than as provided by these rules ; or
- iv. privately removes or conceals any goods either before or after they are warehoused;

he shall be liable to a penalty which may extend to two thousand rupees, and all goods warehoused, removed or concealed in contravention of this rule shall be liable to confiscation.

2.10.4 Power of adjudication of confiscation and penalty

Rule 123 provides that

- i. Where by these rules anything is liable to confiscation or any person is liable to penalty such confiscation or penalty shall be adjudged by the Excise Commissioner.

ii. The State Government may confer on any Excise Officer the power to adjudge confiscation or penalty and may prescribe the limit within which such power may be exercised.

2.10.5 General penalty

Rule 124 provides that any breach of these rules shall, where no other penalty is provided herein, be punishable with a penalty which may extend to one thousand rupees and with confiscation of the goods in respect of which such breach is committed.

2.10.6 Fresh Declaration

According to Rule 130 a new declaration requires to be made if the Excise Commissioner sends a written notice, addressed to the person who signed the existing declaration. The existing declaration shall, without prejudice to any liability incurred, be void and the licence granted to the owner in respect of the premises shall be suspended.

2.10.7 Stocks of dutiable goods

According to Rule 131 all dutiable goods stored in the licensed premises of a person or in a private warehouse, whether without or after payment of duty, shall be stacked in an orderly manner. The licensed person or keeper of the warehouse shall maintain stock cards in respect of the separate lots.

Breach of this shall be punishable with a penalty which may extend to one thousand rupees.

2.10.8 Account of stock of goods

According to Rule 132, the stock of dutiable goods remaining in a manufactory or warehouse or store-room licensed or approved for the storage of such goods shall be counted, weighed, measured, proved, gauged or otherwise ascertained, in the presence of the proper officer or the officer-in-charge. The deficiency if any, in the quantity so ascertained (after taking into account receipts and deliveries, and making such allowance for wastage by evaporation or other natural causes) be liable to pay the duty leviable on such deficiency and shall also be liable to a penalty which may extend to ten times the duty chargeable on such goods as are found deficient or a sum of Rs. 2,000 whichever is less.

2.10.9 Maintenance of stock accounts and registers

2.10.9.1 Rule 135 of the Rules prescribed the procedure of maintenance of stock accounts and registers thereof. According to the rule, the register or the stock account in respect of goods manufactured or stored is to be maintained as described below:

- i. Entries in the register should be made putting the date of entry;
- ii. Entries in the register should not be cancelled, obliterated, or altered except for correction of any errors, with the sanction and in the presence of the proper officer or the officer-in-charge, as the case may be, and shall not make any entry therein which is untrue in any particulars ;
- iii. the account or the register shall be kept ready at all times for the inspection of the Excise Officers.

2.10.9.2 Failure to enter the required particulars within the time prescribed in the relevant rules, or to keep such account or register, or to deliver it up to the Excise Officer on demand or obstructs or hinders such officer in making any minute therein or extract therefrom, or conveys away or conceals it, or destroys or tears out any leaf therefrom, or make any false entry therein or fraudulently alters any entry therein, shall be liable to a penalty which may extend to two thousand rupees and all the goods of which due entry has not been made in such account or register shall be liable to confiscation.

2.10.10 Goods, plant and machinery duty not paid

Rule 138 states that any officer duly authorised by general or special order of the Excise Commissioner may detain all dutiable goods, materials, preparations from which any such goods are made and all plants, machinery, vessels, utensils, implements, any articles for making or manufacturing any such goods and articles for the purpose of exacting such duty and until such duties or any sums recoverable in lieu thereof are paid or recovered.

2.10.11 Sale of dutiable goods in containers bearing a label

Rule 139 stipulates that if any dutiable goods are found in the possession of any dealer in or retailer of such goods, not being wrapped or labelled or the wrapper or other container bears any other mark or appearance of having been opened or tampered with, such goods shall be liable to confiscation and such dealer or retailer shall be liable to a penalty which may extend to one thousand rupees

2.10.12 Provisions of lodgings for the excise staff posted to the bonded manufactory or warehouse –

Rule 141 provides that the licensee of a bonded manufactory or warehouse shall, where so required by the Excise Commissioner, provide the officer and the staff posted to the manufactory or bonded warehouse with suitable lodging conveniently situated to the factory or bonded warehouse premises at a rent not exceeding ten per cent of the pay of each officer so accommodated. If for any reason the licensee is not able to provide such accommodation he shall provide suitable accommodation to the satisfaction of the Excise Commissioner near the factory or bonded warehouse recovering only ten per cent of the pay of the occupant.

Explanation – The expression “pay” shall not be deemed to include dearness allowance and other allowances.

CHAPTER-XI

AUDIT

2.11.1 Scope of Audit

Audit of revenue under this head is conducted centrally in the office of the Deputy Commissioner of Excise (Special) under the overall control of the Excise Commissioner, West Bengal. All the unit offices (Manufactories, Warehouses, and Bonds etc.) under the control of the Deputy Commissioner of Excise (Special) are covered under audit. Audit observations of the unit offices are brought to the notice of the Deputy Commissioner of Excise (Special) for his comments.

2.11.2 Field auditing standard

Collection of revenue under the Act consists of excise duty, different kinds of fees, penalty levied and auction sale of confiscated goods etc.

The general principles relating to audit of receipts are laid down in the C & A.G's Manual of Standing Order (Audit).

The main function of Audit is to see that duty and fees payable on exercisable articles under the provisions of the Act and Rules and Notifications issued from time to time have been correctly assessed, levied, collected and credited to Government account in time. Proper account of confiscated articles and disposal thereof, have been kept. Penalty and fines wherever required have been levied under the Act and Rules made there under.

2.11.3 Audit Checks

For arriving at the audit conclusion and or making audit observation on levy and collection of revenue it is to be seen that the records and documents test checked by audit are authentic, sufficient and relevant to the point of observation.

- a. Audit should examine that
 - i. the laid down system and procedures of levy and collection of excise duty and fees are being followed by the authority responsible for collection of revenue;
 - ii. the system of collection of revenue is adequate;
- b. that the rates of excise duty and fees etc., levied, collected are as per rule;
- c. the duty and fees collected thereof has been credited into Government account in time;
- d. the registers viz. Demand and Collection Register and other records relating to collection of revenue are maintained in the prescribed forms and keep up to date as per departmental instructions;
- e. that the demands are raised regularly in time and collected in time;
- f. the monthly returns relating to collection of revenue - whether submitted within the prescribed date and with all particulars; that the conditions attached to various kinds of licences are being fulfilled;
- g. Penalty levied wherever necessary. In case of non-levy of penalty in a fit case reasons are recorded justifying non-levy of penalty;

- h. Reconciliation of remittances of revenue/verification of challans with those figures appearing in treasury records;
- i. In case of refund of excise revenue their admissibility and necessary sanction should be checked;
- j. Review of inspection reports of Administrative Offices and Internal Audit Wing;
- k. Effective steps have been taken for recovery of the dues as arrears of land revenue;
- l. Checking of all other revenue related records and registers;
- m. Exemptions are allowed correctly;
- n. Claims for export of dutiable M & T.P goods are correctly allowed;
- o. Claims of rebate of excise duty on alcohol by a manufacturer is allowed correctly;
- p. Remission of Excise duty allowed, if any, is correctly allowed;
- q. Checking of auction sale of confiscated articles and credit of revenue into Government account.

CHAPTER-XII

Internal Control

2.12.1 Internal control is an integral and continuing process that is affected by an entity's management and personnel and is designed to provide reasonable assurance that the following general objectives are being achieved:

- Fulfilling accountability obligations;
- Complying with applicable laws and regulations;
- Executing orderly, ethical, economical, efficient and effective operations;
- Safeguarding resources against loss.

Internal control is a dynamic integral process that is continuously adapting to the changes of the organization. Management and personnel at all levels have to be involved in this process to provide reasonable assurance of the achievement of the objectives. The internal control system is, therefore, interlinked with an organization's activities and is most effective when it is built into the entity's infrastructure. It is an integral part of the essence of the organization. It is integrated within the basic management process of planning, executing and monitoring. Therefore, internal control is a tool used by the management and directly related to the organization's objectives. As such management is an important element of internal control. However, all personnel in the organization play important roles in the matter.

2.12.2 Internal control and Information Technology:

Information systems imply specific types of control activities. As information technology has advanced, organizations have become increasingly dependent on computerized information systems to carry out their operations, to process, maintain, and report essential information. As a result, the reliability and security of computerized data and of the systems that process maintain and report these data are a major concern to the management and auditors of the organizations.

The use of automated system to process information introduces several risks that need be considered by the organization. The risk stem from, among other things, uniform processing of transactions, information system automatically initiating transactions, increased potential for undetected errors; existence; completeness and volume of audit trails, the nature of the hardware and software used, and recording of unusual transactions. Effective information Technology controls, therefore, can provide management with reasonable assurance that information processed by its system meets desired control objectives, such as ensuring the completeness, timeliness, and validity of data and preserving its integrity.

2.12.3 Internal control and Internal Audit:

Internal auditors examine the effectiveness of internal control and recommend improvements although they are not primarily responsible, for establishing or maintaining it. But effective Internal Audit System in an Organization has a significant role to play in the matter.

2.12.4 Internal Control and Staff members:

The staff members' contribution to Internal Control System of an Organization is very significant. Internal Control is an explicit or implicit part of everyone's duty.

All staff members play a role in effecting control and should be responsible for reporting problems of operations, non-compliance with the code of conduct, or violations of policy.

2.12.5 Internal Control and Management:

Management Staff are directly responsible for all activities of an organization including the internal control system. So effectiveness of Internal Control largely depends on the efficiency of the Management.

2.12.6 Role of Audit in improving Internal Control system:

Internal Audit is a part of Internal Control System. As Internal Audit has not been established in the Excise Department SAI Audit should see with special care the following aspects of Internal Control System of the auditee office and make necessary comments / recommendations, where necessary, in order to make the system an effective one :-

- i. whether accountability obligations in respect of financial matters and fair performance have been properly fulfilled;
- ii. whether provisions of laws, rules and orders have been correctly interpreted and properly complied with;
- iii. whether operation of the organization is orderly, ethical, economical, efficient and effective;
- iv. whether there is effective safeguard against loss of Government. Revenue;
- v. whether effective monitoring system exists in the auditee organization;
- vi. whether the auditee organization follows any human resource development policy for better performance;
- vii. whether an effective checking and supervision exists in the office in order to prevent fraud and corruption;
- viii. whether an effective Information system with trained personnel exists in the office in order to meet desired control objectives of the management.

2.12.7 Fraud and Corruption:

Fraud is deliberate misrepresentation of facts and/or significant information by one or more individual among the management, staff or third parties while corruption involves behavior on the part of officials in the office in which they improperly and unlawfully enrich themselves by misusing the position in which they are placed.

2.12.8 Role of Audit:

Fraud and corruption are mostly interlinked. So, while fraud and corruption should be perceived independently for their numerous implications, the auditor is required to be well aware of the complex correlation between the two. Attention would be drawn to possibilities of separate treatment, wherever the situation so warrants.

The role of audit in arresting fraud and corruption has come under critical scrutiny in wake of increasing cases of fraud and corruption in both Government Offices and other Sectors. Auditors as such need be more vigilant to and alert for situations, control weaknesses, inadequacies in record keeping, errors and unusual

transaction or results, which could be indicative of fraud, improper or unlawful expenditure, unauthorized operations, waste, inefficiency or lack of probity. SAI should endeavor to create an environment that is unfavorable to fraud and corruption for which they need be given adequate mandates that enable them to effectively contribute to the fight against fraud and corruption.

2.12.9 Nature of Fraud and corruption:

- i. intentional misrepresentation of financial information;
- ii. manipulation, falsification and alteration of records;
- iii. misappropriation of money/assets;
- iv. suppression or omission of the effects of transactions from records;
- v. recording of transactions without substance;
- vi. misapplication of accounting policies;
- vii. misuse of office for private gains;
- viii. offer to solicit an offer of in dement or reward as benefit for performance of an official act;
- ix. attempt to camouflage;
- x. willful misinterpretation of the provisions of Acts and Rules.

2.12.10 Audit checks

While conducting audit of receipts of duties of excise on medicinal and toilet preparations containing alcohol, narcotic drug or narcotics, the responsibility of audit is to carefully verify:

- i Whether records are being maintained properly. If any basic record is not maintained or discontinued, impact thereof on annual collection with reference to that of prior to discontinuation, should be carefully investigated.
- ii Whether assessment of dues has been properly made taking into account the correct rates prevailed at the time of assessment. If there are recurring instances of underassessment, reason thereof needs be carefully investigated.
- iii Whether taxes and other receipts have been properly realized and duly credited to Govt. account in time.
- iv Audit should make a thorough checking of totals of cashbook and to verify challan Register to see the amounts received are duly credited to Govt. account.
- v Stock account of Token-cum-Receipt books to be checked with special care in order to prevent fraud by issue of fake receipts.
- vi Audit should carefully check each remittance to the Bank as per Receipt Register. Bank Treasury challan Books and the list of credits should be verified from the TF Section, if needed. Where the tax amounts are directly remitted into the Treasuries, the challan should be verified with the Treasury records.
- vii Exemption/Remission cases to be checked with reference to the provisions of Acts, Rules and orders.
- viii Refund cases to be checked with reference to all relating records.
- ix Fines and penalties have been imposed properly and exemptions have been allowed by the competent authority as per provisions of Acts and Rules.

x Audit should make a comparative study of collection of revenue of the year taken up for audit with that of the previous year. If any alarming shortfall comes into notice the reasons thereof need be investigated.

xi Whether the provisions of Acts, Rules and orders have been properly interpreted. It is to be seen if there is any misinterpretation for personal gains.

xii Whether there is any manipulation / falsification / alteration of records.

xiii Audit should, above all, extend its responsibility to provide assurance to make the management aware of the weakness in the internal control system. It may submit proposals and recommendations to the auditee unit, where controls are found to be inadequate. Thus audit can be a significant instrument in reducing fraud and corruption.

Annexure A
[Ref.:Para 4.2]
SCHEDULE OF RATES

Notification No. 2/2003-M&TP, dated d1st March 2003 -- In exercise of the powers conferred by Rule 8 of the Medicinal and Toilet Preparations (Excise Duties)Rules,1956, the Central Government, being satisfied that it is necessary in the public interest so to do, hereby exempts the dutiable goods of the description as specified in Col.(3)of the Table below, falling within the item No. of the Schedule to the Medicinal and Toilet Preparations (Excise Duties)Act, 1955 (16 of 1955) as specified in the corresponding entry in Col.(2) of the said Table, from so much of the duty of excise leviable thereon under the said Schedule, as is in excess of the amount calculated at the rate specified in the corresponding entry in Col.(4) of the said Table.

Table

Sl No.	Item No.	Description of dutiable goods	Rate of duty
(1)	(2)	(3)	(4)
1	1	Allopathic Medicinal Preparations (i) Medicinal Preparations containing alcohol which are not capable of being consumed as ordinary alcoholic beverages (a) Patent or propriety medicines (b) Others (ii)Medicinal preparations containing alcohol which are capable of being consumed as ordinary alcoholic beverages (a)Medicinal preparations which contain known active ingredients in therapeutic quantities (b)Others (iii)Medicinal preparations not containing alcohol but containing narcotic drug or narcotic	Sixteen percent ad valorem Sixteen per cent ad valorem Sixteen percent ad valorem Sixteen percent ad valorem Sixteen percent ad valorem
2	2	Medicinal preparations in Ayurvedic, Unani or other indigenous systems of medicine, containing self-generated alcohols which are not capable of being consumed as ordinary alcoholic beverages.	Nil
3.	2	Medicinal preparations in Ayurvedic, Unani or other indigenous systems of medicine, not containing alcohol but containing narcotic drug or narcotic.	Sixteen percent ad valorem
4	4	Toilet preparations containing alcohol or narcotic drug or narcotic.	Sixteen percent ad valorem

Notification No. 3/2003-M&TP, dated 1st March,2003 -- In exercise of the powers conferred by Section 3 of the Medicinal and Toilet Preparations (Excise Duties) Act,1955 (16 of 1955), read with CL.(1) of Explanation III of the Schedule to the said Act, the Central Government hereby specifies that the provisions of CL.(2) of said Explanation III shall apply to then dutiable goods of the description specified in Col.(3) of the Table below and falling within the Item No. of the said Schedule, specified in the corresponding entry in Col.(2) of the said Table and allows as abatement the percentage of the retail sale price as specified in the corresponding entry in Col.(4) of the said table.

Table

Sl. No	Item No.	Description of dutiable goods	Abatement
(1)	(2)	(3)	(4)
1	4	Toilet preparations containing alcohol or narcotic drug and narcotic	40%

Notification No.4/2003-M&TP dated 10th June 2003 - In exercise of the powers conferred by Rule 8 of the Medicinal and Toilet Preparations (Excise Duties) Rules,1956, the Central Government, being satisfied that it is necessary in the public interest so to do hereby makes the following amendment in the notification of the Government of India in the erstwhile Ministry of Finance and Company Affairs (Department of Revenue), No 2/2003-M&TP, dated the 1st March,2003(G.S.R. 159(E), dated the 1st March 2003) namely--

In the said notification, in the Table, after Sl.No. 3 and the entries relating thereto, the following shall be inserted:

TABLE

Sl. No	Item No	Description of dutiable goods	Rate of duty
(1)	(2)	(3)	(4)
"3-A	3	Homeopathic preparations containing alcohol	Rupees twenty per litre of pure alcohol content"

Explanations of the schedule to the Act.

Explanation I - "Patent of proprietary medicines" means any medicinal preparation which either on itself or in its container or both, a name which is not specified in a monograph in pharmacopoeia, formulary or other publications notified in this behalf by the Central Government in the Official Gazette, or which is a brand name, that is, a name or a registered trade-mark under the Trade and Merchandise Marks Act, 1958, or any other mark such as a symbol, monogram, label, signature or invented words or any writing which is used in relation to that medicinal preparation for the purpose of indicating or so as to indicate a connection in the course of trade between the preparation and some person having the right either as proprietor or otherwise to use the name or mark with or without any indication of the identity of that person.

Explanation II - Where any article is chargeable to duty at a rate dependent on the value of the article, such value shall be deemed to be the value as determined in accordance with the provisions of Sec. 4 of the Central Excise Act, 1944 (1 of 1944).

Explanation III-(1) Notwithstanding anything contained in explanation-II, the Central Government may, by notification in the Official Gazette, specify any dutiable goods, in relation to which it is required under the provisions of the Standards of Weights and Measures Act, 1976 or the rules made thereunder or under any law for the time being in force, to declare on the package thereof the retail sale price of such goods, to which the provisions of Cl.(2) shall apply.

(2) Where dutiable goods specified under Cl.(1) are chargeable to duty with reference to value, then, notwithstanding anything contained in Explanation II, such value shall be deemed to be the retail price declared on such goods less such amount of abatement, if any, from such retail price as the Central Government may allow by notification in the Official Gazette.

(3) The Central Government may, for the purpose of allowing any abatement under Cl.(2) take into account the duty of excise, sales tax and other taxes, if any, payable on such goods.

(4) Where on the package of any dutiable goods more than one retail sale price is declared, the maximum of such retail sale price shall be deemed to be the retail sale price for the purpose of Cl.(2)

(5) Where different retail sale prices are declared on different packages for the sale of any dutiable goods in packaged form in different areas, each such retail sale price shall be the retail sale price for the purpose of valuation of the dutiable goods intended to be sold in the area to which the retail sale price relates.

(6) For the purpose of this Explanation, 'retail sale price' means the maximum price at which the excisable goods in packaged form may be sold to the ultimate consumer and includes all taxes local or otherwise, freight, transport charges, commission payable to dealers, and all charges towards advertisement delivery, packing, forwarding and the like, as the case maybe, and the price is the sole consideration for such sale.

Annexure B

[Ref: para 5.24]

CLASSIFICATION OF MEDICINAL AND TOILET PREPARATIONS CONTAINING ALCOHOL

Allopathic preparations

Allopathic preparations are medicinal preparations made according to the modern system of medicines and all under either of the following two categories, namely:

(a) Official allopathic preparations that is to say, those preparations which are made in accordance with the formulae given in the latest editions of the following pharmacopoeias and official compendia of drugs standards of formularies, namely :-

(i) Indian Pharmacopoeia;

(ii) Official Pharmacopoeia of any other country to which the drug claims to comply;

(iii) in the case of the preparations for which the formulae are not included in the latest edition of the official pharmacopoeia of any country, such preparations as may be included in the latest editions of the official compendia of drug standards or formularies, namely, the British Pharmaceutical Codex or the National Formulary of the United States, the British Veterinary Codex, the National Formulary of Indian, the Dental Formulary of U.S.A to which the preparation claims to comply;

Provided that where the formularies are not specified either in the latest edition of the Indian Pharmacopoeia or the official pharmacopoeia of any country or the official compendia of drug standards of the formularies specified above, but are specified in the edition immediately preceding the latest edition of the said pharmacopoeia or official compendia, as the case may be, the preparations made in accordance with the formula specified in such immediately preceding edition of the relevant pharmacopoeia or official compendia as the case may be, the preparations made in accordance with the formula specified in such immediately preceding edition of the relevant pharmacopoeia or official compendia shall be considered to be the official allopathic preparations;

(b) Non-official allopathic preparations made according to the modern system of medicine and conforming to the formulae displayed on the label. **(Rule 59)**

Restricted and unrestricted medicinal preparations

Maintenance of restricted list of preparations –

A list of medicinal preparations which are considered as capable of being misused as ordinary alcoholic beverage, hereinafter referred to as restricted preparations, is given in the Schedule. All other medicinal preparations being manufactured from a date prior to 1st April, 1957, shall be considered to be not capable of being misused as ordinary alcohol beverages (hereinafter referred to as unrestricted preparations).

If, however, a preparation falling in the unrestricted category is found to be widely used as ordinary alcoholic beverage, Central Government may, on the request of a State Government or *suo motu*, refer the matter to the Standing Committee

referred to in rule 68. The Central Government shall, if so advised by the said Committee, declare the preparation as a restricted preparation and the item or sub-item or both in the Schedule to the Act under which the preparation falls, and thereupon include the said preparation in the Schedule.

Medicinal preparation other than official allopathic preparations which are manufactured in India for first time on and subsequent to 1st April 1957, shall be presumed to be restricted preparations unless declared to the contrary by Central Government on the advice of the Standing Committee. Any manufacturer, intending to produce a new alcohol preparation other than an official allopathic preparation, shall submit two samples of such preparation with the receipt to the State Government. The State Government shall forward such request with receipt to the Central Government for a decision. The Central Government shall refer the matter to the Standing Committee and in accordance with the advice tendered by it declare the category in which the preparation should be placed and the item or sub-item or both in the Schedule to the Act under which the preparation falls. The decision of the Central Government shall be communicated to all State Governments. In case the preparation is declared to be a restricted preparation it shall be included in the Schedule of restricted preparations and if the preparation is declared to be an unrestricted preparation it shall be included in the schedule on unrestricted preparations.

The advice of the Standing Committee shall be communicated not later than six months from the date of submission of sample to the Committee. **(Rule 60)**

Homoeopathic Preparations

Mode of manufacture

American, British and general pharmacopoeias that are in vogue at present in the various States, shall be recognised as standard pharmacopoeia or for homoeopathic preparation for the purpose of these rules until such time as the Central Government evolves its own pharmacopoeia. **(Rule 61)**

Preparations containing opium, Indian hemp and other narcotic drugs and narcotics

The rules in respect of alcoholic medicinal and toilet preparations shall, as far as may be, apply to preparations containing opium, Indian hemp, and other narcotic drugs and narcotics.

Ayurvedic Preparations

Types of preparations –

Asavas and Aristas are the principal types of Ayurvedic preparations in which alcoholic contents is self-generated and not added to such. **(Rule 64)**

Pharmacopoeia for Ayurvedic preparations –

Until a standard Ayurvedic pharmacopoeia has been evolved by the Central Government, the pharmacopoeias that are in the various States shall be recognised as standard Ayurvedic pharmacopoeias. **(Rule 65)**

Classification of preparation containing self-generated alcohol for purposes of levy of duty –

No duty shall be levied on Ayurvedic preparations containing self-generated alcohol in which the alcoholic content does not exceed 2 per cent proof spirit. When the percentage of proof spirit is in excess of 2 per cent, duty will be leviable under item 2(ii) or 2(i) of the Schedule to the Act according as the preparations are capable of being consumed as ordinary alcoholic beverage or not. **(Rule 66)**

Levy of duty on Ayurvedic preparations

Ayurvedic preparations, made by distillation or to which alcohol is added at any stage of manufacture, shall be treated as alcoholic preparations capable of being used as ordinary alcoholic beverages. **(Rule 67)**

Annexure C
[Ref.: para 5.25]

LIST OF FORMS OF REGISTERS AND RECORDS

<i>Purpose</i>	<i>Rule No.</i>	<i>Short Title/Form</i>
Application for licence –		
i. to manufacture goods liable to duty of excise under M & T.P (E.D) Act, 1955 in bond/outside bond.	83 & 91	A.L.-1
ii. to manufacture Ayurvedic Preparations by Ayurvedic Practitioner	83	A.L-2
iii. for Bonded Warehouse for the storage of dutiable goods liable to duty under the M.&T.P(E.D)Act,1955	83	A.L-3
Licences –		
i. to manufacture Medicinal and Toilet Preparations containing alcohol, opium, Indian hemp and other narcotic drugs and narcotics, under bond for payment of duty.	83	L-1
ii. to manufacture Medicinal and Toilet Preparations containing alcohol, opium, Indian hemp and other narcotic drugs and narcotic outside bond.	83	L-2
iii. for Ayurvedic or Unani Practitioner to manufacture Ayurvedic Preparations containing self-generated alcohol for dispensing and not for trade purposes	83	L-3
iv. For a Bonded Warehouse	83	L-4
Bonds –		
i. for entry into by the licensee of a Bond Manufactory.	21	B-1
ii. (with surety) for entry into by the licensee of a Bonded Warehouse.	71	B-2 (Sur)
iii. (with security) for entry into by the licensee of a Bonded Manufactory/Warehouse.	71	B-2(Sec.)
iv. (with surety) for the due despatch of dutiable goods removed for export to a foreign country without payment of duty.	15	B-3 (Sur)
v. (with security) for the due despatch of dutiable goods removed for export to a foreign country without payment of duty.	15	B-3 (Sec)
vi. (General bond with security) for the due despatch of dutiable goods removed from time to time for export to a foreign country without payment of duty.	16	B-3 (Gen Sur.)
vii. (General bond with security) for the despatch of dutiable goods removed from time to time for export to a foreign country without payment of duty.	16	B-3 (Gen Sec)
viii. (With surety) for the due arrival and re-warehousing of dutiable goods removed from one Bonded Warehouse to another	105	B-4 (Sur.)
ix. (With security) for the due arrival and re-warehousing of dutiable and goods removed from one Bonded Warehouse to another	105	B-4 (Sec)
x. (General; Surety) for the due arrival and re-warehousing of dutiable goods removed from one Bonded Warehouse to another	106	B-4 (Gen Sur.)
xi. (General; Security) for the due arrival and re-warehousing of dutiable goods removed from one Bonded warehouse to another	106	B-4 (Gen Sec)

Registers –		
i. of vessels or receptacles in Bonded /Non-bonded Manufactory / Bonded Warehouse	25	R.G.-1
ii.of transactions in the spirit store of Bonded/Non-Bonded Manufactory	27,30	R.G.-2
iii. of Operation in Bonded/Non bonded Manufactory	49, 50, 31, 33, 52	R.G-3
iv. of preparations in Bonded/Non-bonded Manufactory	31.35	R.G.-4
v. Warehouse Register of Receipts	72, 75	R.G-5 (Part I)
vi. Warehouse Register of Issues	72, 75	R.G-5 (Part-II)
vii. Visit Book	90	V.B-I
Indent- Indent for alcohol, etc....	26,49,50	I.D-I
Requisition- for issue of alcohol, etc. from spirit store	29,30	R.Q-1
Application for Removal-		
i. of dutiable goods from one Bonded Manufactory/ Warehouse to another Bounded Warehouse	107	A.R-1
ii. of dutiable goods for export by land	98	A.R-3
iii. of dutiable goods for export by land	98	A.R-4
iv. Transport/Permit for movement of dutiable goods.	107,112	T.P.1
v. Clearance on payment of duty	40, 81	A.R-2
Demand for Duty Notice of demand for payment of duty	9	D.D-II
Returns –		
i. of Transactions of Business at Bonded/Non-bonded Manufactory	41 and 56	R.T.-I
ii. of Transactions of Business at Bonded Warehouse	80	R.T.2

Annexure D
[Ref.: para 7.4]

The different types of licences under the M&TP (Excise Duties) Act, 1955 as on 31.3.2005 was as under:

Type of Licence	Total Licence	Alive Licence	Non Functioning
L-2			
a. Homeo	160	130	30
b. Allopathic	113	49	64
c. Ayurvedic	29	15	14
d. Toilet Preparation	17	7	10
Narcotics-			
a. M.D. – 5	160	104	56
b. M.D. – 4	53	18	35
c. M.D. – 3	16	16	Nil
Denatured Spirit			
a. Wholesale O.D.S	80	65	15
b. Retail O.D.S.	198	122	76
c. Storage O.D.S	96	8	88
S.D.S Storage	105	37	70
Duty Free Rectified Spirit	124	124	---
Duty Paid Rectified Spirit and Alcohol			
a. Analytical & Research	119	52	67
b. Scientific Purpose	16	7	9
c. Industrial Purpose	58	13	45
Retail Vend of Rectified Spirit	114	52	52
28AA	11	4	7
28B	27	25	2
L-2			
a) Allopathic	6	5	1
b) Homeopathic	26	24	2
c) Ayurvedic	11	10	1
Methanol Storage License	13	5	8

Annexure E

[Ref.: para 7.4]

Different kinds of licences and their fees

Sl. No	Purpose for which licence is required	Licence fee payable per annum
1..	<p>Manufacture under bond for payment of duty</p> <p>(a) Allopathic medicinal preparations and toilet preparation containing alcohol –</p> <p>(i) where, in the alcohol consumed, the pure alcohol content is less than 2250 litres per annum</p> <p>(ii) where, in the alcohol consumed, the pure alcohol content is more than 2250 litres per annum</p> <p>(b) Medicinal preparations and toilet preparation not containing alcohol, but containing opium, Indian hemp, or other narcotic drug or narcotic.</p> <p>(c) Homeopathic preparations containing alcohol –</p> <p>(i) where, in the alcohol consumed, the pure alcohol content is less than 2250 litres per annum</p> <p>(ii) where, in the alcohol consumed, the pure alcohol content is more than 2250 litres per annum</p> <p>(d) Medicinal preparation in Ayurvedic, Unani or other indigenous systems of medicines containing alcohol and which are prepared by distillation or to which alcohol has been added</p>	<p>200</p> <p>400</p> <p>20</p> <p>200</p> <p>400</p> <p>50</p>
2.	<p>Manufacture outside bond -</p> <p>(a) Allopathic medicinal preparations and toilet preparations containing alcohol -</p> <p>(i) where, in the alcohol consumed, the pure alcohol is 70 litres or less per annum</p> <p>(ii) where, in the alcohol consumed, the pure alcohol is more than 70 litres but less than 280 litres per annum</p> <p>(iii) where, in the alcohol consumed, the pure alcohol is 280 litres or more per annum</p> <p>(b) Medicinal preparations and toilet preparations not containing alcohol but containing opium, Indian hemp or other narcotic drug or narcotic</p> <p>(c) Homeopathic preparations containing alcohol -</p> <p>(i) here, in the alcohol consumed, the pure alcohol is 70 litres or less per annum</p> <p>(ii) Where, in the alcohol consumed, the pure, alcohol is more than 70 litres but less than 280 litres per annum</p> <p>(iii) Where, in the alcohol consumed, the pure alcohol is 280 litres or more per annum</p> <p>(d) Medicinal preparations in Ayurvedic, Unani or other indigenous systems of medicines containing alcohol and which are prepared by distillation or to which alcohol has been added</p>	<p>20</p> <p>50</p> <p>400</p> <p>20</p> <p>20</p> <p>50</p> <p>400</p> <p>50</p>
3.	Manufacture of medicinal preparations containing self-generated alcohol in Ayurvedic or Unani or other indigenous systems of medicines by Ayurvedic or Unani practitioners for dispensing for the use of their patients and not for sale to general public	2
4.	Bonded warehouse	50
5.	Manufacture of medicinal preparations containing alcohol by hospitals, dispensaries and other charitable institutions which are eligible for exemption from duty under rule 7 and which are specifically authorised in this behalf by the State Government or by the Administration in the case of a Union Territory.	Nil

