

OFFICE OF THE ACCOUNTANT GENERAL
(COMMERCIAL AND RECEIPT AUDIT)
ANDHRA PRADESH, HYDERABAD

MANUAL ON STATE EXCISE
(THIRD EDITION)

Issued by :

THE ACCOUNTANT GENERAL (C&RA), ANDHRA PRADESH
HYDERABAD

CONTENTS

<i>Chapter</i>	<i>Subject</i>	<i>Page</i>
1.	Audit of Revenue.....	1
2.	Organisational setup of the Prohibition & Excise Department	9
3.	Acts and Rules Governing Excise Administration.....	13
4.	The Andhra Pradesh Distillery (Manufacture of Spirits) Rules, 2006.....	21
5.	The Andhra Pradesh Distillery (Manufacture of Indian Made Foreign Liquor other than Beer and Wine) Rules, 2006.....	29
6.	Foreign Liquor and Indian Liquor.....	37
7.	Rectified Spirit and Denatured Spirit.....	54
8.	Breweries.....	58
9.	Toddy Policy	64
10.	Pharmacies, Medicinal and Toilet Preparation Units.....	73
11.	Verification of Credit and reconciliation of figures and Miscellaneous items of check.....	82
12.	Preparation and issue of local audit reports.....	85
	Appendix-I.....	86

PREFACE

The local audit of receipts of State Excise Department was taken up in 1972. The manual was first issued in 1979. The present edition is a revised one incorporating amendments upto September 2007.

This manual has been prepared for the guidance of the members of the field audit parties entrusted with the audit of Excise Revenues and Refunds and the Headquarters Section processing the local audit reports of Excise Offices.

The salient features of the Andhra Pradesh Excise Act, 1968 and the various Rules made thereunder the Medicinal and Toilet preparations (Excise Duties) Act 1955 and the Medicinal and Toilet preparations (Excise Duties) Rules 1956, relating to the levy, assessment and collection of excise duties, fees, etc., have been set out in this Manual. It should be noted that, unlike other Revenue laws, the provisions relating to the levy, assessment and collection of excise duties, fees and their refunds, etc., are contained in the Notifications and Rules issued under the Excise Act rather than the Act itself and therefore, a closer knowledge of these Rules is essential for purposes of conducting effective audit of excise revenues and refunds therefrom. If, in the course of audit, any reference has to be made to a particular provision of the Act or the Rules made thereunder, such a reference should be to the sections of the Andhra Pradesh Excise Act, or the particular Rules made thereunder and not to the paragraphs of this Manual.

Any suggestions to correct any errors or to improve the Manual may be brought to the notice of the Deputy Accountant General, State Receipt Audit.

The SRA Headquarters section is responsible for updating the Manual from time to time.

HYDERABAD
Date :

(P.J. MATHEW)
Accountant General (C&RA)
Andhra Pradesh, Hyderabad.

CHAPTER 1 AUDIT OF REVENUE

1.1 Introduction :- Article 151 of the Constitution of India enjoins that the Comptroller and Auditor General of India shall submit reports relating to the accounts of the Union and States to the President or the Governor of a State, as the case may be, who shall cause them to be laid before each House of Parliament or Legislature. The word 'Accounts' in its totality includes both receipts and expenditure transactions. Section 16 of the Comptroller and Auditor General's (Duties, Powers and conditions of Service) Act, 1971, specifically enjoins upon the Comptroller and Auditor General to audit all receipts of the Union and of the States and to satisfy himself that the Rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor General is authorized to undertake such examination of the accounts as he thinks fit and to report thereon. The scope of audit is largely left to the discretion of the Comptroller and Auditor General and under his guidance and instructions, the State Accountant General conduct receipt audit.

1.2 Auditing Standards : Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor (it means the Auditing Institutions represented by the Field Audit Party) that helps determine the extent of auditing steps and procedures that should be applied in the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, inter-alia, include the following:

A) Basic Postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which held in developing auditing standards and serve the auditors in forming their opinions and reports, particularly in cases where no specific standards apply.

The Basic Postulates are :

- 1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
- 2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
- 3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
- 4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process, Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.
- 5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.
- 6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.
- 7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.
- 8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.
- 9) All audit activities should be within the SAIs audit mandate.
- 10) SAIs should work towards improving techniques for auditing the validity of performance measures
- 11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) General Standards: 1) The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) Field standards (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

(2) The filed standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

(3) The field standards applicable to all types of audit are:

- a) The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way in a timely manner.
- b) The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.
- c). The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

i) Planning: The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) the following planning steps are normally included in an audit:

- a) Collect information about the audited entity and its organisation in order to assess risk and to determine materiality.
- b) Define the objective and scope of the audit.
- c) Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.
- d) Highlight special problems foreseen when planning the audit.
- e) Prepare a budget and a schedule for the audit.
- f) Identify staff requirements and a team for the audit, and
- g) Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii). Supervision:- The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

The following paragraphs explain supervision and review as an auditing standard.

A. Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.

(a) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:

1. The members of the audit team have a clear and consistent understanding of the audit plan.
2. The audit is carried out in accordance with the auditing standards and practices of the SAI.
3. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
4. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions
5. The auditor achieves the stated audit objectives and
6. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

1. All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review bring more than one level of experience and judgement to the audit task and should ensure that:

- a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
- b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
- c. Changes and improvements necessary to conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3. This standard emphasis's the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) Study & Evaluation of Internal Control: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depends on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) Compliance with Applicable laws and regulations: In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.

- (i) Reviewing compliance with laws and regulations is especially important when auditing government programmes because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organisations, programmes, services, activities, and functions are created by laws and are subject to more specific rules and regulations.
- (ii) Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.
- (iii) The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate

that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results

- (iv) In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.
- (v) Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity's internal controls and assess the risk that the control structure might not prevent or detect non-compliance.
- (vi) Without affecting the SAI's independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding organisation, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1. The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.
2. Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.
3. Adequate documentation is important for several reasons, It will:
 - (a) Confirm and support the auditor's opinions and reports
 - (b) Increase the efficiency and effectiveness of the audits.
 - (c) Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
 - (d) Serve as evidence of the auditor's compliance with Auditing Standards
 - (e) Facilitate planning and supervision.
 - (f) Help the auditor's professional development.
 - (g) Help to ensure that delegated work has been satisfactorily performed, and
 - (h) Provide evidence of work done for future reference.
4. The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor's proficiency, experience and knowledge.

vi). Analysis of Financial Statements: In all types of audit when applicable auditor should analyse the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

- (i) The auditor should thoroughly analyse the financial statements and ascertain whether:
- (ii) financial statements are prepared in accordance with acceptable accounting standards;

- (iii) Financial statements are presented with due consideration to the circumstances of the audited entity;
- (iv) Sufficient disclosures are presented about various elements of financial statements; and
- (v) The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2. Where the SAI is required to report on the execution of budgetary laws, the audit should include:

- (a) For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;
- (b) For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year's financial statements.

3. Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realisation of revenue/receipts, detection of individual errors in both assessment and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

D) Reporting Standards:

- (i) On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.
- (ii) With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.
- (iii) The audit report should be complete. This required that the report contains all pertinent information needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.
- (iv) In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.
- (v) Accuracy required that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported credible and reliable.
- (vi) The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor's working papers. Reported evidence should demonstrate the correctness and reasonableness of the matters reported.
- (vii) Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.
- (viii) Objectivity required that the presentation through out the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasis deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.

- (ix) The tone of reports should encourage decision-makers to act on the auditor's findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.
- (x) Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.
- (xi) Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc.,) should be used to clarify and summarise complex material.
- (xii) Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.
- (xiii) Being constructive requires that the report also includes well thought out suggestion, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.
- (xiv) Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.

1.3 Principles of Receipt Audit :- The Audit of Receipts is governed by section 16 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and by the general principles laid down in Chapter IV of Section II of the Manual of Standing Orders (Technical). The instructions issued in this manual are supplementary and describe specifically the procedure to be followed in the audit of receipts from Excise duties and licence fees.

1.4 Audit Vis-à-vis Executive functions :- It is well known that it is the primary responsibility of departmental authorities to see that all revenues due to Government are correctly and properly assessed, realized and credited to Government account. Audit should however, satisfy itself in general that the departmental machinery is sufficiently safe-guarded against error and fraud and that, so far as can be judged, the procedure is designed to give effect to the requirements of law. The Audit Department does not, however, in any way, substitute itself for the Revenue authorities in the performance of the statutory duties.

The most important function of audit as broadly pointed out in para 1.1 is to see that (1) adequate regulations and procedures have been framed by the Revenue Departments to secure an effective check on the assessment, collection and proper allocation of taxes and (2) to satisfy itself by adequate test-check that such regulations and procedures are actually, being carried out. It should also be borne in mind that the basic purpose of audit is not only to see that all demands raised are promptly collected and credited to Government account but also to secure that those demands are correctly realized and they satisfy the requirements of law and that the Executive does not grant unjustified or unauthorized remission to tax payers. In the Audit of receipts, the general is more important than the particular. The detection of individual errors is an incident rather than an object of Audit.

In taxation laws, lacunae may occur as a result of oversight or omission at the time of framing or enacting the laws. If the provisions of the law lead to consequences not intended at all in the policy or purpose underlying the law and the tax payer takes unfair advantage of such lacunae or provision by way of legal avoidance, audit may bring to the notice of the Executive such legal evasions, the idea being not to criticise the Legislature but to enable the Government/Legislature to review the position and initiate remedial action wherever necessary to plug leakages of revenue.

Audit does not generally review the judgements and decisions taken in individual cases is an important factor in judging the effectiveness of assessment procedure. Where, for example, the information received in any individual case is insufficient to enable audit to see how the requirement of law has been complied with. Audit may consider it as its duty to ask for further information to enable it to form the judgement required of it as to the effectiveness of the system. It is, however, towards forming a general judgement rather than to the detection of individual errors that the audit enquiries should be directed. This does not however, bar, irregularities being pointed out by Audit in individual cases, where substantial amounts are involved or where there have been serious violations of the law or the rules having the force of law. For the purpose of performing their functions effectively, members of the Audit Department will have access to the relevant records and papers of the Revenue Department but they should observe secrecy in the same way as the Officers of the Revenue Department do. However, to discharge these functions effectively the staff engaged in receipt audit must be thoroughly conversant with the processes and procedures relating to the levy and collection of taxes and the laws and rules, covering such processes etc.

1.5 Audit Vis a Vis judicial pronouncements :- The Audit Department does not, normally, question the decision of a High Court which is binding on the Officers functioning within the jurisdiction of that High Court unless, it is in any way modified or over-ruled by the Supreme Court. It is only in such cases where no authoritative interpretation of provision of law by High Court or the Supreme Court is available that the Comptroller and Auditor General states what in his judgement is the correct requirement of law on the basis of the plain meaning of the statute and puts forward that view to the Department for its examination and acceptance.

1.6 In the subsequent chapters, the basic provisions of the Act and the rules governing the levy and collection of excise duty are set out. This is only a summary, to enable the staff to grasp the essentials of the administration of the Andhra Pradesh Excise Act 1968, and the rules framed thereunder. For a further and exhaustive study the provisions of the Act and rules and the case laws on the subject must be referred to.

CHAPTER 2 ORGANISATIONAL SET-UP OF THE PROHIBITION & EXCISE DEPARTMENT

Application of Excise Laws in Andhra Pradesh

2.1 The Andhra Pradesh Excise Act of 1968 (Act.No.17 of 1968) was brought into force in Telangana area (repealing the earlier Hyderabad Abkari Act). At that time there was prohibition in the Andhra Area, which was, however, withdrawn by G.O.Ms.No.1001, revenue dated 14th October 1969 with effect from 1st November, 1969 and hence from this date the A.P. Excise Act 1968 was made applicable to Andhra region also.

2.2 In addition to the Andhra Pradesh Excise Act, 1968, other Acts and Orders specified below are administered by the Excise Department.

- (i) The Andhra Pradesh Excise Act, 1968
- (ii) Notification under the Andhra Pradesh Excise Act, 1968.
- (iii) The Ethyl Alcohol Price Control Order 1977.
- (iv) The Opium Act, 1878.
- (v) Andhra Pradesh Intoxicating Liquors (Prohibition of Advertisements) Act, 1978.
- (vi) Andhra Pradesh (Regulations of Wholesale Trade and Distribution and Retail Trade in Indian Liquor, Foreign Liquor, Wine and Beer) Act, 1993.
- (vii) Andhra Pradesh Prohibition Act, 1955
- (viii) Notification under Andhra Pradesh Prohibition Act, 1955
- (ix) The Narcotic Drugs and Psychotropic Substances Act, 1985.
- (x) The Prevention of Illicit Traffic in Narcotic Drugs and Psychotropic Substances Act, 1988.
- (xi) Andhra Pradesh Recovery Act, 1864 fasli.
- (xii) Andhra Pradesh Rent and Revenue Sales Act, 1839.
- (xiii) Andhra Pradesh Prevention of Dangerous Activities of Boot-leggers, Dacoits, Drug Offenders, Goondas, Immoral Traffic Offenders and Land Grabbers Act, 1986, and
- (xiv) The Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Act, 1989.

2.3 Administrative Set-up :- Prior to 1977 the Andhra Excise Act was administered by the Board of Revenue.

The department is re-organised with effect from 17.08.2005(vide G.O.Ms.No.1563 Revenue (Ex.II) Department, dt.17.08.05) and is headed by the Commissioner of Prohibition and Excise. He is assisted by the following Officers :

1. Secretary to Commissioner of Prohibition and Excise.
2. Director (Enforcement) of Prohibition and Excise.
3. Director of Distilleries & Breweries.
4. Joint Commissioner of Prohibition & Excise (Headquarters).
5. Joint Commissioner of Prohibition & Excise (Enforcement).
6. Joint Director (Technical)
7. Director, A.P. Prohibition & Excise Academy, Hyderabad.
8. Deputy Commissioner of Prohibition & Excise (Enforcement).
9. Joint Director, Academy (DC Cadre).
10. Deputy Commissioner of Prohibition & Excise (Computers).
11. Assistant Secretary (Enforcement).
12. Legal Advisor-cum-Public Prosecutor.
13. Assistant Accounts Officer.

2.4 Commissioner of Prohibition & Excise :- Principal Secretary to Government Revenue Department is the Controlling Authority at Government level. The Commissioner of Prohibition & Excise is the Chief Controlling Authority in all matters connecting with the administration of the department. Prohibition and Excise Superintendents are the licensing authorities for retail sale in Form IL A-4(A) (Retail shop licence) and IL (Military Canteen Retail licence). The Commissioner is competent to grant licences for all other purposes i.e. manufacturing of Spirits and Wines, Bars, Clubs, Occasional or Special licences. Where the Commissioner grants a licence, Prohibition & Excise Superintendents shall issue the licence in the prescribed form. The Commissioner is assisted by a Secretary, Director of Distilleries and Breweries, Director of Enforcement (Prohibition & Excise) at Headquarters. The Secretary deals with all establishment matters, accounts, the Joint Commissioner (Headquarters) deals with IML, Toddy Excise revenue and arrears and other connected matters. The Director of Distilleries and Breweries who is the rank of Additional Secretary assists the Commissioner in matters pertaining to Molasses, Rectified Spirit, Denatured Spirit, Distilleries and Medicinal and Toilet preparations units. The Director of Prohibition & Excise, an Officer of the rank of Deputy Inspector General of Police ensures that systematic methods of prevention and detection of crimes and investigation and prosecution of cases are adopted and properly followed in the department. (*Authority : Excise Laws*)

2.5 Deputy Commissioner of Prohibition & Excise :- The State is divided into sixteen divisions for purposes of Excise Administration and each division is under the charge of a Deputy Commissioner. He is responsible for supervising the collection of rentals, arrears, allotment of trees and several other matters pertaining to Excise Administration. The Deputy Commissioners grant District-wise licences to Indian and Foreign Liquor shops. They are empowered to hear appeals against the orders of the Excise Superintendent.

A chemical laboratory functions under each Deputy Commissioner to analyse samples and to establish the identity of intoxicants seized in raids conducted during the course of detection work. The Deputy Commissioners have also been provided with an Audit Cell to get all Excise Revenue Accounts within their jurisdiction checked. The Deputy Commissioners have to supervise the auctions of all shops and issue of licences.

2.6 Set-up under Secretary

Collectors :- The Collector is responsible for the Excise Administration at the District level. The Collector exercises the powers conferred on him by the Andhra Pradesh Excise Act, 1968, in compounding of offences, power to search without warrant, order prosecution under sections 38 and 41 of the Act etc. The Collector has to forward proposals for the establishment of shops, fixation of ration of trees. The Collector or under his direction the District Revenue Officer holds the annual excise auctions and reviews the collection of excise revenue and exercises powers under the Revenue Recovery Act in regard to collection of excise arrears. In all these matters the Collector is assisted by the Prohibition & Excise Superintendent of the District.

Prohibition & Excise Superintendent :- The Prohibition & Excise Superintendent is the head of Excise Administration in the District. Generally, an Excise District is Co-terminous with the revenue district. The Prohibition & Excise Superintendent assists the Collector in all Excise matters. He is responsible for issue of licences to Toddy and grant of district-wise licences to Indian liquor shops, recommending issue of import and export permits of Indian liquor. They have also to issue denatured spirit and rectified spirit and Indian and foreign liquor transport permits. The Prohibition & Excise Superintendent is principally responsible for enforcement of excise laws in his jurisdiction. In respect of foreign liquors separate licences shall be issued by Andhra Pradesh Breweries Corporation Limited.

Assistant Prohibition & Excise Superintendents :- The Assistant Superintendents of Prohibition & Excise assists each Prohibition & Excise Superintendent in administration under his jurisdiction.

Prohibition & Excise Inspectors :- The Prohibition & Excise Inspectors are in charge of circles. They have to attend to collection of current rentals, excise arrears, issue of tree tapping licences, conducting raids on illicit distillation centres, detection of illicit tapping, detection of smuggling of Indian liquors, opium, ganja and other narcotics, inspection of shops and topes and generally help the Prohibition & Excise Superintendents in all other excise matters.

Prohibition & Excise Sub-Inspectors :- The principal duties of sub-Inspectors are inspection of topes and shops, checking of marking of palmyrah, etc., trees, detection, investigation and prosecution of offences, attending to excise auctions, and to ensure the successful auction of all excise shops, getting licences issued to toddy shops and certification of boundaries of shops. He has to attend to collection of current rentals and excise arrears and assist the Circle Inspectors and verify the consignments of intoxicants received in his jurisdiction.

2.7 Set-up under Director of Distilleries and Breweries :- Director of Distilleries and Breweries supervises the work of Andhra Pradesh Breweries Corporation Limited. In addition he exercises general control over private distilleries in the State. The functioning of matters relating to rectified spirit and denatured spirit are under his administrative control. The Director of Distilleries and Breweries assist the Commissioners of Prohibition & Excise in licensing distilleries and breweries, medical and toilet preparations units and alcohol based industries. The Director of Distilleries and Breweries is assisted by a Prohibition & Assistant Excise Superintendent in his office. In field work, he is assisted by Assistant Commissioner of Breweries for distilleries at Hyderabad, Kakinada, Vijayawada, Tirupathi and Visakhapatnam.

The Director of Distilleries & Breweries is to inspect all private distilleries “Indian and Foreign Liquor” Distilleries, Breweries, alcohol based industries with an annual quota of more than 50,000 bulk Litres of Rectified Spirit, Denatured Spirit Licensees with an annual quota of more than 1,00,000 bulk Litres and Medicinal and Toilet preparations Licensees with an annual quota of more than 40,000 Bulk litres of Rectified Spirit.

2.8 Set-up Under Joint Director (Technical) – Chemical Technology Wing. Organisation at Headquarters and in Districts :- For the improved technical scrutiny and better enforcement of technical norms and standards a Technical Cell is under the Commissioner of State Excise. There are Chemical Laboratories functioning at Hyderabad and other District Headquarters. The Laboratory at Hyderabad works under the Director of Distilleries and Breweries while the other Laboratories are attached to the local Deputy Commissioners. A chemical Examiner of the rank of Assistant Excise Superintendent is in charge of each of the Laboratory.

2.9 Set-up under Director of Enforcement (Prohibition & Excise) :- The Director of Enforcement (Prohibition & Excise) is the Head of the Enforcement Wing. He functions under the direction and control of the Commissioner of State Excise and has to ensure that systematic methods of prevention, investigation and detection of crime and prosecution of cases are adopted and followed in the Excise Department. One Joint Commissioner (Enforcement) with State-wide jurisdiction assist him. There are 17 Assistant Commissioners (Enforcement) working under his control. In addition, 8 State Task Force teams are formed for effective implementation of Prohibition in the State. A “Control Room” is also established in Commissioner’s Office. Similarly at District level, Divisional Task Force team and five mobile parties are formed under the direct supervision of concerned Deputy Commissioner. There are 63 Check Posts and 5 integrated Check posts. One Assistant Excise Superintendent (Enforcement) assists the Assistant Commissioner of Excise (Enforcement) in each Zone with his Excise Intelligence Bureau. The Circle Inspectors of Excise (Enforcement) and the Sub-Inspector of Excise (Enforcement) are part of the Flying squads under the Assistant Commissioners of Excise (Enforcement) and assist them in all investigation and prosecution of cases.

CHAPTER 3

ACTS AND RULES GOVERNING EXCISE ADMINISTRATION

3.1 Legislative background :- Excise duty is an important source of revenue to Government, under entry 51 of list II to the seventh schedule to the constitution. The State Government derives power to levy Excise duty (a) on alcoholic liquor for human consumption; (b) opium, Indian hemp and other narcotic drugs and narcotics, but not including Medicinal and Toilet preparations (M&TP) containing alcohol or opium, Indian hemp etc. mentioned above.

3.2 Alcoholic liquors broadly fall under the following categories :

- (1) Toddy
- (2) Foreign Liquor
- (3) Indian Liquor
- (4) Beer
- (5) Wine etc.

In addition to the excise duties levied on the above items, Government also charge fees for issuing licences for the sale of foreign and Indian liquors. Denatured spirit is sold to public, M&TP Units and also alcohol based industries at the rates fixed by Government from time to time.

3.3 Statutory framework :- The Andhra Pradesh Excise Act, 1968, deals with the production, manufacture, possession, transport, purchase and sales of liquors and drugs, the levy of duties of Excise and countervailing duties on alcoholic liquors for human consumption, opium, Indian hemp and other narcotic drugs and narcotics. This legislation provides for appointment of officers for administering the Act, regulating the import, export of liquors, grant of licenses and permits, levy of penalties, detection, investigation and trial of offences, and appeals and revisions, recovery of Government dues and power to make rules for carrying out the objectives of the Act.

3.4 Rules framed under the A.P. Excise Act, 1968 :- In exercise of the powers conferred by Section 72 of the Act, the Government of Andhra Pradesh have made Rules for conducting auction of Excise shops specifying general conditions to be fulfilled by the licences of Toddy shops, for regulating the tapping of the trees and special conditions to be observed by the Toddy shops licensees and payment of rent to tree owners. The Rules also prescribe conditions to be followed for grant of licence to sell foreign and Indian liquors, sale of denatured spirituous preparations, and establishment of distilleries and breweries. Again, rules have been framed regulating the possession and use of rectified spirit, regulating the drawal and sale of Neera and Storage of Indian Liquor in Bond. Also, Rules have been framed for the disposal of confiscated articles, defining powers, and duties of officers in the matter of arrest, search and seizure and the powers of officers for compounding of offences and grant of expenses to witnesses summoned during investigations. Further, the procedure for submission of appeals and revision, issue of duplicate licences and permit and the conditions for delegation of powers to subordinate officers are governed by rules framed for the purpose.

The Rules framed are mentioned below :

- (1) The A.P. Tree Owners' Rent Rules, 1968.
- (2) The A.P. Excise (Lease of Right to sell liquor in Retail) Rules, 1969.
- (3) The A.P. Excise (Arrack and Toddy licences General conditions) Rules, 1969.
- (4) The Andhra Pradesh Excise (Tapping of Trees and Toddy shops Special Conditions Licences) Rules, 1969.
- (5) The Andhra Pradesh Excise (Regulations of Drawal and Sale of Neer) Rules, 1969.

- (6) The Andhra Pradesh Excise (Arrack, Retail Vend special Conditions of Licences) Rules, 1969.
- (7) The Andhra Pradesh Excise (Disposal of confiscated and other Articles) Rules, 1969.
- (8) The Andhra Pradesh Excise (Appeal and Revision) Rules, 1969.
- (9) The Andhra Pradesh Indian Liquor (Storage in Bond) Rules, 1969 (Repealed from 1-10-1986-G.O.Ms.No.363 Revenue (E) Dept., dated 3-4-1986).
- (10) The Andhra Pradesh Brewery Rules, 1970.
- (11) The Andhra Pradesh Distillery Rules, 1970.
- (12) The Andhra Pradesh Foreign Liquor and Indian Liquor Rules, 1970.
- (13) The Andhra Pradesh (Issue of Duplicate Licences and Permits) Rules, 1969.
- (14) The Andhra Pradesh Excise (Grant of Expenses) Rules, 1971.
- (15) The Andhra Pradesh Denatured Spirit and Denatured Spirituous Preparation Rules, 1971.
- (16) The Andhra Pradesh Excise Arrack (Manufactory, Possession, Transport and Export) Rules, 1971.
- (17) The Andhra Pradesh Rectified Spirit Rules, 1971.
- (18) The Andhra Pradesh Excise (Powers and Duties) Rules, 1972.
- (19) The Andhra Pradesh Excise (Delegation of Powers) Rules, 1972.
- (20) The Andhra Pradesh Excise (Transportation of Maximum Quantity of Intoxicants) Rules, 1972.
- (21) The Andhra Pradesh Excise (Compounding of offences) Rules, 1973.
- (22) The Andhra Pradesh Excise (Mohwa Flower) Rules, 1973.
- (23) The Andhra Pradesh Excise Chloral Hydrate Rules, 1973.
- (24) The Andhra Pradesh Excise (Intimation of Unwillingness to tap the Excise Trees) Rules, 1974.
- (25) The Andhra Pradesh Excise (levy of Interest on Govt. Dues) Rules, 1982.
- (26) A.P.(Regulation of wholesale Trade and Distribution of Indian Liquor, Foreign Liquor, Wine and Beer) Rules, 1993.
- (27) A.P.Excise (Lease of Right to Sell Indian Liquor, Foreign Liquor and Beer in Retail Under IL 24 licence) Rules, 1998.
- (28) A.P.Excise (Lease of Right to Sell Indian Liquor, Foreign Liquor and Beer in Retail) Rules, 1993.
- (29) A.P.Excise (Indian and Foreign Liquor Retail Sale Conditions of Licences) Rules, 1993.
- (30) A.P.Spirituous Preparations (Inter-State Trade and Commerce) Control Rules, 1964.
- (31) A.P. (Sale of Liquor to Holders of Permits & Licences) Rules, 1995.
- (32) The Medicinal and Toilet Preparations (Excise Duties) Rules, 1956.
- (33) Notification Under Narcotic Drugs and Psychotropic Substances Rules, 1985.
- (34) The Narcotic Drugs and Psychotropic Substances Rules, 1985.
- (35) The Narcotic Drugs and Psychotropic Substances (Execution of Bond by Convicts or Addicts) Rules, 1985.
- (36) General Conditions for Grant of Licences under Narcotic Drugs and Psychotropic Substances Rules, 1985.
- (37) A.P.Narcotic Drugs and Psychotropic substances Rules, 1986.
- (38) Scheduled Castes and the Scheduled Tribes (Prevention of Atrocities) Rules, 1995.
- (39) A.P. Brewery Rules, 2006.
- (40) A.P.Excise (Lease of Right of Selling by Shop and Conditions of licence) Rules, 2005.
- (41) A.P.Excise (Grant of licence of Selling by In-House and conditions of licence) Rules, 2005.
- (42) A.P.Excise (Import,Export & Transport of Indian made Foreign Liquor-Permits) Rules, 2005.
- (43) A.P.Excise (Grant of licence of Selling by Bar and Conditions of licence) Rules, 2005.
- (44) A.P.Distillery (Manufacture of IMFL other than Beer and Wine) Rules, 2006.
- (45) A.P.Distillery (Manufacture of Spirits) Rules, 2006
- (46) The A.P. Excise (Grant of Licences to Sell Toddy, Conditions of Licences and Tapping of Excise Trees) Rules 2007.

In the following chapters the provisions of the Act and the relevant Rules made thereunder for each excisable article, the various registers to be maintained in the concerned offices with their purpose and the checks that have to be exercised in audit are briefly dealt with.

3.5 Some important definitions in the Act and the Rules are given below :

(1) “Beer” includes ale, stout, porter and all other fermented liquors usually made from malt-*vide* section 2(2) *ibid*.

(2) “Denatured” means subjected to a process prescribed for the purpose of rendering unfit for human consumption *vide* Section 2(8) of the Andhra Pradesh Excise Act, 1968.

(3) “Excisable article” means,

(a) any alcoholic liquor for human consumption;

(b) any intoxicating drug;

(c) opium; or

(d) other narcotic drugs and narcotics which the Government may, by notification, declare to be an excisable article *vide* Section 2(9) *ibid*.

(4) “Excise Duty” or “countervailing duty” means the duty of excise or countervailing duty, as the case may be, mentioned in entry 51 in list II of the Seventh Schedule to the Constitution *vide* Section 2(10) *ibid*.

(5) “Excise Revenue” means revenue derived or derivable from any duty, fee, tax, rent, fine, penalty or confiscation levied, imposed or ordered under the provision of this Act or any other law for the time being in force relating to intoxicating liquors or intoxicating drugs-*vide* Section 2(12) *ibid*.

(6) “Excise tree” includes the tree of mohwa, coconut, palm, palmyrah, date, bagani, sago, sendhi or any tree of the species of palm of palmyrah, from the fermented or unfermented juice of which toddy or liquor can be prepared-*vide* Section 2(13) *ibid*.

(7) “Foreign liquor” includes every liquor imported into India other than Indian Liquor and arrack-*vide* Section 2(15) *ibid*.

(8) “Indian Liquor” means liquor produced, manufactured or compounded in India after the manner of gin, brandy, Whisky or rum imported from foreign countries and include “milk punch” and other liquors consisting of or containing any such spirits but does not include foreign liquor-*vide* Section 2(18) *ibid*.

(9) “Intoxicant” means any liquor as defined in clause (21) or any intoxicating drug as defined in clause (20) and includes gulmohwa (that is moha flower)-*vide* Section 2(19) *ibid*.

(10) “Intoxicating drug” means –

(a) the leaves, small stalks and flowering or fruiting tops of the Indian hemp plant including all forms known as bhang, siddi or ganja.

(b) 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.

(c) Any mixture with or without neutral materials of any of the above forms of intoxicating drug or any drink prepared therefrom; and

(d) Any other intoxicating or narcotic substance which the Government may, by notification, declare to be an intoxicating drug such substance not being opium cocoa leaf or manufactured drug as defined in Section 2 of the Dangerous Drugs Act, 1930 – vide Section 2(20) *ibid*.

(11) “Liquor” includes –

- (a) Spirits of wine, denatured spirits, methylated spirits, rectified spirits, wine, beer, toddy and every liquid consisting of or containing alcohol; and
- (b) any other intoxicating substance which the Government may, by notification, declare to be liquor for the purposes of this Act-vide Section 2(21) *ibid*.

(12) “Manufacture” includes every process, whether natural or artificial, by which any fermented, spirituous or intoxicating liquor or intoxicating drug is produced, prepared or blended, and also redistillation and every process for the rectification of liquor-vide Section 2(22) *ibid*.

(13) “Spirit” means any liquor containing alcohol and obtained by distillation, whether it is denatured or not-vide Section 2(29) *ibid*.

(14) “Toddy” means fermented or unfermented juice drawn from an excise tree and containing alcohol-vide Section 2(30) *ibid*.

(15) “Excise year” means the period of twelve months commencing from the 1st October of a year and ending with the 30th September of the succeeding year.

(16) “Distillery” means the manufactory where spirits are distilled compounded, blended, processed, fortified and or diluted to produce wines or Indian liquor other than arrack beer or toddy and includes an operation for bottling of such liquor-vide Rules 2(c) of the Andhra Pradesh Distillery Rules 1970.

(17) “Distillery Officer” in relation to any distillery means the Excise Officer incharge of such distillery not below the rank of a Sub-Inspector of Excise-vide Rule 2(d) *ibid*.

(18) “Brewery” means a building where beer is manufactured and includes every place where beer is stored or issued-vide Rule 2(b) of the Andhra Pradesh Brewery, Rules, 1970.

(19) “Off licence” means a licence granted under the rules for sale of the liquor in sealed or capsuled bottles, without permitting consumption on the licenced premises-vide Rule 3(h) of the Andhra Pradesh Foreign Liquor and Indian Liquor Rules, 1970.

(20) “On licence” means a licence granted under these rules for sale of the liquor in open bottles, glasses or pegs for consumption within the licensed premises-vide Rule 3(i) *ibid*.

(21) “Retail licence” in relation to the sale of liquor means in sealed or capsuled bottles to individual consumers of quantities not exceeding those specified under Section 14 of the Act, at any one time or in one transaction and the word “retail” shall be construed accordingly-vide Rule 3(k) *ibid*.

(22) “Verification” means –

- (i) examining the seals of the bottles, containers or other receptacles forming the consignment of intoxicatns to verify that they are not tampered with during transit;
- (ii) ascertaining that the number and the marks on the bottles, containers and other receptacles tally with those shown on the reverse of the permit;

- (iii) ascertaining that the quantity of liquor transported tallies with the quantity mentioned in the permit, and in the case of spirit, examining the contents with a hydrometer by drawing samples from the bottles, containers or other receptacles in order to find out that the strength of the spirit corresponds to that shown in the permit; and
- (iv) satisfying that the excise revenue required to be paid under the rules have been correctly levied and paid; and the word 'verified' shall be construed accordingly – vide Rule 3(m) *ibid.*

(23) “Wholesale licence” in relation to the sale of liquor means in quantities not less than 9 litres at any one time or in one transaction and the word “wholesale” shall be construed accordingly – vide rule 3(n) *ibid.*

(24) “Rectified spirit” means liquor containing undenatured alcohol of a strength not less than 50% overproof and includes absolute alcohol in other forms and Extra Neutral Alcohol (ENA) but does not include arrack issued in varying degrees of concentration for potable purposes – vide Rule 2(k) of the Andhra Pradesh Rectified Spirit Rules, 1971.

(25) “Export” means (a) to take out of any area of the State to which this Act extends to any other area of the State to which this Act does not extend., (b) to take out of the State otherwise than from a Customs Station as defined in Section 2 or the Customs Act, 1962 (Central Act 52 of 1962).

(26) “Indian Made Foreign Liquor” (IFML)- means liquor produced, manufactured or compounded in India after the manner of Gin, Brandy, Whisky or Rum imported from foreign countries and include Milk punch and other liquors consisting of or containing any such spirits, but does not include Beer, Wine and Foreign liquor.

(27) “Milk Punch”- means a comforting preparation made up of Rum, Sugar and Milk as well as flavorings herbs and spices.

(28) “Bar” –means the privilege granted under the Act to an establishment where food is served, for sale of Indian Made Foreign Liquor and Foreign Liquor, in loose for consumption on the licensed premises.

(29) “Extra Neutral Alcohol”-means the alcoholic liquid obtained by re-distilling spirits and having the specifications prescribed in these rules.

3.6 Some important provisions of the Act are given below :

(1) No import (Section 9) or export (Section 10) of any intoxicant into or from the State is permissible except under a permit obtained from the Excise Department, after payment of the necessary duty/fee.

(2) Similarly, intoxicants shall not be transported except under a permit issued by an officer of the Excise Department (Section 11 and 12).

(3) Manufacture, collection, cultivation, tapping of excisable articles, construction of distilleries or breweries, bottling of liquors, etc, are prohibited except under licence (Section 13).

(4) Possession of excisable articles above the maximum quantities as specified, is prohibited except under a permit or licence.

(5) No sale or purchase of excisable article is permissible except under a licence (Section 15).

(6) The Establishment of distilleries and breweries and warehouses is permitted with the sanction of Government and licences are granted by the Commissioner under Section 16 of the Act – vide also item 3 above.

(7) Manufacturing or supplying or selling any liquor or other intoxicant either in wholesale or retail can be permitted by Government by issuing a lease or licence for a fixed period to any person at any place either jointly or severally on (Section 17 & 23) payment of such sum as may be prescribed by Government in consideration for granting the privilege.

(8) Excise duties (levied on excisable articles produced in the State) and counter-vailing duties (on excisable articles produced elsewhere and imported into the State) are imposed by Government by notification under Section 21.

(9) The mode of levying excise and countervailing duties is to be in the form of a tax or fee on the excisable articles manufactured or sold. The tax/fee is to be related to the quantity or strength of the excisable article and in the case of toddy, a tax on the excise tree – vide Section 22.

(10) Under Section 24 of the Act, the owner of a tree yielding excisable commodity who is unwilling to have his tree tapped has to intimate (before the notified date) his unwillingness to the excise Superintendents concerned. The unwillingness can be accepted by the Prohibition & Excise Commissioner only, if it is for one of the three reasons mentioned below.

- (i) interference with normal cultivation.
- (ii) Injurious to trees.
- (iii) situated in a residential locality (see notification No.14, Memo No.1546-71/71-23/Revenue(E), dt.23-5-74).

(11) The tapping of excise trees and extracting of toddy should be done under a licence obtained from the Government. In cases where such excise trees were tapped without licence, duty payable shall be recovered from the person who has tapped the trees or from the occupier of the land, in which the excise trees are standing (Section 25).

Under Section 29, the licensee can be required to give security and execute counterpart agreement.

(12) Section 31 provides for cancellations or suspensions of licences or permits for non-payment of duty, breach of conditions of permit or licence, etc., and Section 32 enables the withdrawal of licence for causes other than those specified in the preceding sections, after giving 30 days notice in writing and refund of proportionate licence fee and deposits. In case, however, the licensee himself surrenders the licence (after giving one month's notice to the Excise Superintendent), no proportionate refund of licence fee is admissible under Section 33.

(13) Section 34 to 50 (except Section 47) are purely punitive provisions which enjoin criminal punishment by imposing fine and/or imprisonment or conviction, confiscation of the seized intoxicants, utensils etc.

(14) Section 47 provides for compounding of offences in terms of the Act on payment of a sum not exceeding ten thousand rupees.

(15) Sections 51 to 62 deal with the arrest of offenders by the Excise Officers, search of premises, etc. Appeals to the Deputy Commissioners, Commissioner and Government, as the case may be, will lie within the period stipulated vide Sections 63-64.

(16) All excise revenue and any amount due to the Government under the Excise Act are recoverable as arrears of land revenue and all such arrears shall bear interest at 18% per annum vide Section 65. (Vide G.O.Ms.No.1142 Revenue (T) Dept. dt.13-9-86) Government hold a lien on the property of the defaulter and can attach the moveable and immovable properties for realisation of dues.

(17) Section 68 empowers Government to grant exemptions and reductions of the excise duty levied under Section 22 on any liquor sold.

- (i) for use or consumption by the members of the Armed forces of the Union; or
- (ii) for use for bonafide medical, scientific, industrial or such like purpose; and
- (iii) exempt any intoxicant from any of the provisions of this Act, other than those of Chapter V, in any specified area or for any specified period or occasion.

(18) Under Section 72, Government is empowered to make rules for carrying out all or any of the purpose of the Act.

CHAPTER 4

THE ANDHRA PRADESH DISTILLERY (MANUFACTURE OF SPIRITS) RULES, 2006

4.1 These rules may be called the Andhra Pradesh Distillery (Manufacture of Spirits) Rules, 2006 and shall extend to all areas where Andhra Pradesh Excise Act 1968 is in force. They shall come into force from the date of issuance of G.O. (G.O.Ms.No.91 Rev (Excise III) Dept. dated.27-1-2007. The Andhra Pradesh Distillery Rules 1970 shall cease to operate on the commencement of these rules.

4.2 Distillery means the manufactory where spirits are manufactured from fermenting sugars or carbohydrates by distillation for potable purpose or for industrial purpose or for both and includes re-distillation of spirits. Fermentative base means molasses or the variety of grain or any other substance containing sugar or carbohydrates as may be notified by the Government from time to time from which manufacture of spirit is allowed. Extra Neutral Alcohol (ENA) is the alcoholic liquid obtained by re-distilling spirits and having specifications prescribed in these rules.

4.3 Alcohol :- The main raw material for production of alcohol is molasses. Alcohol can also be produced from Jaggery, Taploca and Mohwa flowers. But due to non-availability of these raw material in large scale and also due to greater cost of production alcohol is produced chiefly from molasses.

4.4 Fermentation and distillation :- When molasses is allowed to ferment after lapse of few days alcohol is formed in the molasses due to spontaneous change and decomposition. It takes place in the vegetable substance when exposed to air and moisture at ordinary temperature. To quicken the process of fermentation, yeast is added to molasses which acts as a catalyst. But the alcohol so produced by fermentation is generally a weak liquid of a lower strength. In order to obtain pure alcohol the process of distillation is resorted to.

In the process of distillation the fermented molasses is heated through passing of steam. Alcohol being lighter than water the vapours of alcohol emanate first in the process of heating and immediately they are cooled and collected in a receptable.

If such alcohol does not contain moisture or any particles of water it is supposed to be pure alcohol or ethyl alcohol (chemical formula is C_2H_5OH) with a strength of about 174.6° or 175° . At this stage the alcohol is not potable because of the high strength. It is generally diluted to make it potable.

4.5 Rectified Spirit :- Rectified spirit is also alcohol but with a lesser strength varying between 150° and 166° . Normally in any distillation process pure alcohol is not produced (pure alcohol is required only for certain industrial and medicinal purposes) but only R.S. of the above strength. Rectified spirit therefore by virtue of its strength contains always some moisture and water particles. These does not make any difference in production of arrack and other I.M.F.L. liquors for which rectified spirit is the basic raw material.

4.6 Proof Strength :- For the purpose of assessment of duty and also for other purposes the proof strength of rectified spirit, arrack and other I.M.F.L. Liquors is required to be ascertained. This proof strength is generally expressed as overproof or underproof of a base standard strength. This is explained in detail in the following paragraphs.

Pure alcohol as mentioned in paras 1 and 2 above contains a proof strength of 175° . For measuring the strength a glass apparatus known as Syke's Hydrometer is used. When this Hydrometer is dipped into a liquid of pure alcohol the reading in the Hydrometer will be about 175° . When this pure alcohol is diluted with some quantities of water the reading in the hydrometer will come down to say 160° , 140° , etc, depending on more and more quantities of water being added. When the Hydrometer reading touches exactly 100° it is supposed to be a base standard otherwise known as London proof strength. With reference to this base standard of 100° proof, liquids containing varying degree of proof above 100° , are considered as having higher strength and liquids containing less than 100° . Proof are considered as having lower strength or as overproof or underproof

respectively. At this state of 100°, 13 volumes of the liquid containing alcohol and water will weight the same as 12 volumes of water. After touching 100° strength if more water is added to the liquid the reading will be say 90° in other words, the strength of this liquid at 90° is expressed as 10° underproof with reference to the base of 100° proof strength mentioned above. Similarly when alcohol is added to a liquid showing 100° strength and the hydrometer reading is say 120° the resultant liquid is expressed as having a strength of 20° O.P.

Arrack is generally an alcoholic liquid with a strength of 30° U.P. or 60° U.P. Similarly all I.M.F.L. liquors like brandy, rum and whisky, etc., have a strength of 25° U.P.

4.7 Bulk litre and proof litre :- Bulk litre always refer to any liquor with a particular proof strength which may be either underproof or overproof. Thus, a given quantity of arrack of 30° strength or 60° U.P. strength and I.M.F.L. of 25° U.P. strength is always expressed as bulk litres. Proof litres corresponds to any quantity of liquor with a strength of 100° proof which is the base standard for determining and expressing one strength of liquors of above 100° or below 100° corresponding to overproof and underproof respectively.

When a quantity of bulk litre is to be converted into a proof litre the formula to be applied is as follows :

$$\frac{\text{Bulk Quantity of the Spirit} \times \text{Existing strength}}{100}$$

(1) Thus, if 1000 bulk litres of 30° U.P. is to be converted into proof litres the number of proof litres applying the above formula will be as follows :-

$$\frac{1000 \times 70}{100} = 700 \text{ P.L.}$$

Note : If the strength of the arrack is 30 U.P. it is expressed as 70° proof (100° - 30°).

(2) Similarly if 1000 bulk litres of 50° O.P. of rectified spirit is to be converted into proof litres the quantity as per the formula will be as follows :-

$$\frac{\text{Bulk Quantity of Spirit} \times (100 + \text{O.P. Spirit Strength})}{100 \text{ (P.L.)}} = \text{Quantity of P.L.}$$

$$\frac{1000 \times (100 + 50)}{100} = 1500 \text{ Proof Litres.}$$

The conversion of bulk litre into proof litre is important because the duty on IMFL etc. is leviable on proof litre and not on bulk litre.

4.8 Classification of Distilleries :

The provisions of these rules shall apply to the Distilleries for the following purposes :-

- (1) Manufacturing spirits from Molasses as fermentative base for potable purpose (Form D2(PM))
- (2) Manufacturing spirits from Grains as fermentative base for potable purpose (Form D2(PG))
- (3) Manufacturing spirits from Molasses and grains or any other fermentative base as notified by the Government from time to time for potable purpose ((Form D2(PMGO))

- (4) Manufacturing Malt spirit from fermenting malt for potable purpose either for commercial or for captive needs (Form D2(MS))
- (5) Manufacturing spirits from Molasses as fermentative base for Industrial purposes wholly or partly (Form D2(RM))
- (6) Manufacturing spirits from Grains as fermentative base for Industrial purposes wholly or partly (Form D2(RG))
- (7) Manufacturing of spirits from Molasses and Grains or from any other fermentative base as notified by the Government from time to time for industrial purposes wholly or partly (Form D2(RMGO))
- (8) Manufacturing Extra Neutral Alcohol by re-distilling molasses based Rectified spirit for potable purpose either for commercial or for captive needs (Form D2(EM))
- (9) Manufacturing Extra Neutral Alcohol by re-distilling Grain bases Rectified Spirit for potable purpose either for commercial or for captive needs (Form D2(EG))
- (10) Manufacturing Extra Neutral Alcohol by re-distilling Molasses based and Grain based Rectified Spirit or Rectified spirit obtained from any other fermentative base as notified by the Government from time to time either for commercial or for captive needs (Form D2(EMGO)) (Rule 3).

4.9 Account of spirit Bottling :- An account of spirit received and used for bottling is to be maintained in Form D4. An account is to be taken of the licensee's stocks at such intervals, not exceeding three months and the licensee has to pay to Govt. excise duty at the then existing rates on all spirits which is in deficit (and could not be accounted for satisfactorily) in excess of ½% allowed as wastage. Wastage for the purpose of collection of excise duty on the excess as aforesaid shall be calculated at the end of every twelve months from the date on which the licence comes into force. If the licence is granted for the period of less than 12 months the wastage shall be calculated at the end of such a period.

4.10 Removal of spirit from Distillery :- No spirit or liquor manufactured or stored shall be removed unless the excise duty specified is paid before removal. The spirit is not to be issued in quantities of less than 20 litres and no bottled spirit is to be issued in quantities of less than 70 litres. The removal of any spirit other than bottled spirit is not to be permitted in vessels of less than the capacity of 20 litres. The quantity and strength of the spirit is to be verified by the Distillery Officer before issue. All spiced spirit except unissued spirit, which turns milky white on dilution is to be coloured before issue. On payment of the excise duty supported by Challans a distillery pass in Form D6 for the removal of spirit fit for human consumption is given to a person holding permit issued by the competent authority. If the applicant tenders cash in payment of excise duty the Distillery Officer shall fill up the challan for presentation of cash at the local Treasury and the treasury receipt shall be affixed to the counterfoil of Form D6. The duplicate of Form D6 is sent to the Prohibition & Excise Superintendent of the district of destination. The price for the current period can be changed by the licensee after giving 24 hours notice to the Excise Superintendent.

The distiller is to issue at the distillery to the Distillery Officer such quantities of spirits, rectified Spirits and denatured as may be intended for by him for supply to such places or persons or institutions, as directed by the Deputy Commissioner. The Distillery will himself collect the cost of the spirits supplied from the persons concerned.

4.11 In the Distillery, the following State Excise receipts are mainly realized.

- (a) Collection of excise duty for spirit issued (other than by Bond).
- (b) Collection of Excise duty when there is shortage of spirit more than prescribed limit in the store room.
- (c) Collection of excise duty on spirit removed for use in the laboratory attached to the distillery, if it is used otherwise than as permitted.

Under the Andhra Pradesh Distillery (Manufacture of Spirits) Rules, 2006, The Government may by notification issued from time to time, withdraw their intention of granting letter of intent for establishment of

any new distillery or expansion of the production capacity of an existing distillery for any of the purpose separately. On the notification issued by the Government, any person intending to construct and work such distillery may apply alongwith his scheme to the Government through Commissioner.

Notwithstanding any thing contained in sub rules (1) and (2)of Rule 4,, the Government of A.P. may grant letter of intent for establishment of distilleries for the following purposes, on production of sanction or permission from Government of India.

- (a) Manufacturing spirits from Molasses as fermentative base for industrial purpose wholly or partly;
- (b) Manufacturing of spirits from grains as fermentative base for industrial purpose wholly or partly;
- (c) Manufacturing spirits from Molasses and grains or from any other fermentative base for industrial purpose wholly or partly. (Rule 4(3)).

Licence for manufacture of spirits and malt spirits for potable purpose shall be granted when the same is notified and sanctioned under sub rule (1) and (2) of rule 4.

Sl.No	Establishment of new Distilleries or expansion of the production capacity of an existing distillery	Non-refundable and Non-adjustable Fee	Security Deposit	Annual License Fee
1	Manufacture of Spirits and malt spirits for potable purpose	Rs.20.00 lakh (The application shall be supported along with original Challan) (Authority: Rule 5 sub-rule 2(b))	Rs.50,000	Rs.20,000 p.a. till the commencement of production or expiry of two years period from the issue of letter of intent whichever is earlier. (Authority: Rule 6, Sub-rule 4(b))
2	Manufacture of Extra Neutral Alcohol for potable purpose	Rs.20.00 lakh	Rs.50,000	-do-
3	Manufacture of Spirits for Industrial purpose (i) Wholly (exclusively for industrial purpose) (ii) Partly	(i) Rs.5.00 lakh (ii) Rs.20.00 lakh	Rs.50,000 Rs.50,000	-do-

If the holder of the Letter of Intent fails to obtain a licence within a period of Six months or fails to commence production within two years from the date of issue of the Letter of Intent , he forfeits his right over Letter of Intent and on the licence.

The holder of letter of intent have to submit Counterpart Agreement in the prescribed form alongwith security deposit of Rs. 50,000/- in the shape of cash deposit or fixed deposit receipt or bank guarantee from any scheduled bank situated in A.P. for fulfilment of all conditions of licence (Sub-rule 3 of Rule 6).

4.12 Licence fee Structure :

- (1) The Government shall fix the Production capacity of the Distillery.
- (2) The capacity of the equipment and devices of the Distillery shall be according to the production capacity as fixed for the Distillery and shall be as per the specifications and norms as may be prescribed by the Commissioner from time to time.
- (3) The annual licence fee shall be in respect of all above category distilleries fixed by the Commissioner basing on the production capacity in accordance with the licence fee structure prescribed here under :

Annual Production Capacity	Annual Licence Fee
1. Upto 20 lakh BIs	Rs. 4,00,000/-
2. For every additional 1 lakh BIs or part thereof	Rs. 1,00,000/-

Provided that the production capacity fixed shall not be reduced under any circumstances.

Provided further that in case of new licence granted under rule 6(4)(a), the licensee commences manufacture from such date specified therein and the licence fee shall be prescribed in sub rule (3) proportionately on the production capacity for the remaining period of licence.

Provided also that in case of expansion as granted under Rule 6(4)(a) the licensee manufacture from the expanded production capacity from such date as specified therein and the licence fee shall be paid proportionately as prescribed under sub-rule (3) on such expanded capacity for the remaining period of licence.

(4) Whenever the fixed production capacity is fully utilized by the licensee before the completion of licensed year and if the licensee desires to have additional production during the remaining part of the licence year the licensee shall take special permission from the Government for causing additional production over and above the fixed production capacity by submitting the requirement through Commissioner. On grant of such permission, the license shall pay the additional licence fee on such additional as per the rates specified in sub-rule (3).

4.13 Renewal of Licence :

Licence granted under these Rules shall come into force from the date as specified therein. Licence shall ordinarily be for a period of one year. The Licensee shall get his licence renewed before commencement of the licence year by paying the prescribed licence fee otherwise he is neither eligible to go into production nor permitted to transact any business. If he fails to renew licence before commencement of the licence year, he shall pay the licence fee along with late fee specified below for renewal of his licence :

Period	Late Fee
1. Within six months from the date of commencement of licence year	5% of Annual Licence Fee
2. After six months from the date of commencement of Licence year	10% of Annual Licence Fee

4.14 Sub-Lease of Distillery:

The Commissioner, may, on application made by the holder of a licence issued under these rules, permit sub-leasing the whole licensed capacity of his licence proposed to sub-lessee of a distillery.

- (a) a sub-lease fee of sum equal to 10% (Ten Percent) of the annual licence fee is remitted in Government treasury.
- (b) The licensee keeps a security deposit of an amount equal to 15% (Fifteen percent) of the annual licence fee of the distillery in the shape of Fixed Deposit Receipt or Bank Guarantee from a Scheduled Bank situated in Andhra Pradesh in the name of the Commissioner.

4.15 Shifting of Existing Distillery:

Where the management of a distillery intends to shift the distillery to another place, it shall intimate the same to the Commissioner by an application in Form D-4 after remitting an amount of Rs.50,000 in the Government treasury and enclose the challan in original in support of payment along with the application.

4.16 Transfer of Licence :

(i) No licensee shall, except with the sanction of the Commissioner transfer his license to any other person. The Commissioner may allow such transfer of license on payment of a fee of Rs.50,000 and on obtaining such undertaking or Bond and such other material or documents to protect the interest of the Government. Where there is a change of 50% or more partners, it shall be construed, as complete change in the ownership, a fee of Rs.50,000 shall be paid. No licensee shall except with prior permission of the licensing authority get any person included as partner to his business or get an existing partner excluded.

(ii) When there are only two partners in the firm holding the licence and one of them withdraws or requires the entity of a firm changes from partnership of propriety land it amounts to transfer of licence.

(iii) Conversion of a proprietary concern into a firm or a company or a firm into a company and vice versa shall amount to transfer of licence.

4.17 Merger of licence:

When two or more existing distilleries desire to merge into one distillery may apply to the Commissioner in Form D4 (M) along with a challan for Rs.50,000. On receipt of such application the Commissioner, if satisfied, may grant such permission after obtaining the orders from the Government for merger of the Distilleries.

4.18 Norms for better yield of Spirit from molasses :

- (1) The licensee shall necessarily adopt the technology of continuous fermentation process, which would give more efficient production of Rectified Spirit.
- (2) The molasses shall not contain more than 5% of non-fermentable sugars. If on chemical analysis non-fermentable sugars are found to be more than 5%, the same shall be reported to the Commissioner immediately.
- (3) The fermentation efficiency shall not be less than 83%.
- (4) The distillation efficiency of the distillery shall not be less than 98%.
- (5) The alcohol content in the spent wash shall not be more than 0.15%.

4.19 Wastages allowed in a distillery :

The following wastages shall be allowed under the provisions of Rule 28.

Nature	Percentage of Wastage
(1) Transit wastage of molasses	Not exceeding 1% of the quantity transported by weight shall be allowed.
(2) Storage loss of molasses	Not exceeding 1% by weight of the average quantity stored in the distillery during the year.
(3) Storage loss of alcohol in respect of RS producing distilleries	0.5% for each period of 3 months.
(4) Transit loss of spirit transported including losses due to evaporation during transit.	Not exceeding 0.5% of the quantity transported in each consignment.
(5) Loss of spirit in re-distillation process for production of ENA	Not exceeding 2% of the quantity of re-distilled on each occasion.

Note: The licensee shall pay the excise duties, as per, the then existing rates on deficiencies of spirit in excess of permissible limits i.e. 0.5% to 2% respectively.

4.20 Maintenance of Registers :

The following Registers and appropriate formats are to be maintained which are specified by the Commissioner:

A. Registers to be maintained by D2 (PM)/D2 (PG)/D2 (PMGO)/D2 (RM)/D2 (RG)/ D2 (RMGO) Licensed Distillery

(1) Raw Material Receipt Register, (2) Raw Material Stock Register, (3) RS Production Register, (4) ENA Production Register, (5) RS Stock Register, (6) ENA Stock Register, (7) Daily Issue Register of RS/ENA/Other spirits, (8) Heads & Tails Register, (9) Impure spirit Stock Register, (10) sample Register, (11) Technical parameters Register, (12) Distillery stoppage Register, (13) Distillery Gate pass Register.

B. Registers to be maintained by D2(MS) Licensed Distillery :

(1) Malt Spirit Production Register, (2) Malt Spirit Stock Register, (3) Malt Spirit Daily issue Register.

C. Registers to be maintained by D2(EM)/D2(EMG)/D2(EMGO) Licensed Distillery :

(1) RS Receipts Register (Molasses/Grain/other fermentative base), (2) RS Stock Register (Molasses/Grain/other fermentative base), (3) ENA Production Register (Molasses/Grain/other Fermentative base), (4) ENA Stock Register (Molasses/Grain/Other Fermentative Base), (5) ENA Issue Register (Molasses/Grain/other fermentative base), (6) Impure spirit Stock Register, (7) Sample Register, (8) Distillery Stoppage Register, (9) Distillery Gate pass Register.

4.21 Audit Checks:

The Audit checks will be mainly consist in seeing that the licence fee, security deposit, Annual licence fee, and other additional fee have been collected as per the rates in force from time to time. A check shall be exercised whether the production capacity of the distillery is within the permissible limits, otherwise additional

fee as prescribed was levied and collected. Whether they have paid the licence fee and have renewed them, whenever necessary.

The most important duty of audit is however, the check of accounts maintained by the licensees and Distillery Officers as prescribed in the foregoing rules. The Distillery Officer should verify the correctness of the challan payments by reconciliation of the amounts of challans received by him with those accounted for by the Treasury.

Audit should also check that the wastages are within the limits prescribed. If it exceeds such limits, it should be seen that the duties for the wasted quantity in excess of the prescribed limits have been realized as indicated in the table under the Para 4.19.

CHAPTER – 5

THE ANDHRA PRADESH DISTILLERY (MANUFACTURE OF INDIAN MADE FOREIGN LIQUOR OTHER THAN BEER AND WINE) RULES, 2006

5.1 Preliminary:

These rules may be called the Andhra Pradesh Distillery (Manufacture of Indian Made Foreign Liquor other than Beer and Wine) Rules, 2006 and shall extend to all areas where Andhra Pradesh Excise Act 1968 is in force. They shall come into force from the date of issuance of G.O.(G.O.Ms.No.90 Rev (Excise.III) Dept. dt. 27.01.2007. The Andhra Pradesh Distillery Rules 1970 shall cease to operate on the commencement of these rules.

5.2 Definition:

- (1) “Distillery” / “Manufactory” means a unit where spirits are compounded, blended, processed, fortified and or diluted to produce Indian Made Foreign Liquor other than Beer and Wine and includes an operation for bottling of such liquor.
- (2) “Extra Neutral Alcohol (ENA)” means the Alcoholic liquid obtained by re-distilling spirits and having the specifications prescribed in these rules.
- (3) “Fermentation Base” means molasses or the variety of grains or any other substance containing sugar or carbohydrates as may be notified by the Government from time to time from which a manufacture of spirit is allowed.
- (4) “Indian Made Foreign Liquor (IMFL)” means liquor produced, manufactured or compounded in India after the manner of Gin, brandy, whisky or Rum imported from foreign countries and includes Milk punch and other liquors consisting of or containing any such spirits, but does not include beer, wine and foreign liquor.
- (5) “Rectified Spirit” means spirit having strength of 50% or more over proof.
- (6) “Special Spirit” means spirit re-distilled after addition of flavors & spices to plain spirit.

5.3 Classification of Distilleries :

The provisions of these rules shall apply to the manufactories established for the following purposes :-

- (a) Manufacture of Indian Made Foreign Liquor utilizing Extra Neutral Alcohol obtained from Molasses as fermentative base.(Form DM-2(M))
- (b) Manufacture of Indian Made Foreign Liquor utilizing Extra Neutral Alcohol obtained from Grains as fermentative base.(Form DM-2(G))
- (c) Manufacture of Indian Made Foreign Liquor utilizing Extra Neutral Alcohol obtained from both Molasses and Grains or Extra Neutral Alcohol obtained from any other Fermentative base as notified by the Government from time to time.(Form DM-2(MGO)) (Rule 3)

5.4 Bottling :- Operations connected with the filling of bottles with liquors for issue, are to be conducted in bond under the supervision of the Distillery Officer in a separate room called the “Bottling room for liquor” set apart for the purpose within the distillery premises near the spirit store. Bottled spirit is to be stored in separate rooms called the “Bottled Spirit Store for liquor” set apart for the purpose within the distillery premises near the bottling rooms. The bottling rooms and bottled spirit store rooms shall be secured and liquor

is to be bottled at the strength specified by the Commissioner from time to time. Bottling is to be done during ordinary working hours. No bottle shall be filled except in the joint presence of the Distillery Officer and a representative of the licensee.

5.5 Procedure to grant licence to a manufactory:

The letter of Intent for establishment of any new manufactory or expansion of the production capacity of any existing manufactory shall be issued only with the previous notification issued by the Government expressing the intention to grant the same from time to time. A notification shall be issued by the Government separately from time to time for grant of Letter of Intent for establishment of new manufactory or expansion of production capacity of an existing manufactory for different purposes mentioned in Rule 3. Government, may also, by notification withdraw their intention of granting Letter of Intent for establishment of new manufactory or expansion of the production capacity of the categories of existing manufactory for any of the purposes separately.

Licence for manufactory shall be granted when the same is notified and sanctioned under sub rule (1) and (2) of rule 4. On the notification issued by the Government any person intending to construct and work such a manufactory or expand the production capacity of the existing manufactory may apply in Form-DM(!) alongwith his scheme to Government through the Commissioner. Applicant has to pay non-refundable and non-adjustable fee and also special fee into Government treasury and challan in original in support of payment is produced at the time of submission of application, as specified below :-

Annual Production capacity of the proposed manufactory	Non-refundable and non-adjustable Fee	Special Fee
Upto 50 Lakh Proof Litres	Rs.7 Crore.	Rs.3 Crore
Above 50 Lakh Proof Litres and upto 100 lakh proof Litres.	Rs.10 Crore	Rs.5 Crore
Above 100 lakh Proof Litres.	Rs.12 Crore	Rs.6 Crore.

The special fee remitted shall be adjusted towards future licence fee or Excise Duty or both on commencement of production.

When the Government are satisfied of the proposed scheme they may accord the sanction and communicate it in the form of letter of Intent in Form DM(S). This letter of Intent shall be valid for a period of two years from the date of issue. If the holder of the letter of Intent fails to obtain a licence within a period of six months or fails to commence production within two years from the date of issue he ceases to have any right on the letter of Intent and on the licence. The holder of letter of Intent shall apply in Form DM(1)(A) and the application shall be accompanied by all necessary documents alongwith Counterpart Agreement in Form DM(1)(C), deposit amount of Rs.10.00 lakh in the shape of cash deposit or fixed deposit receipt or Bank guarantee from any scheduled bank situated in Andhra Pradesh, as a security for fulfillment of all the conditions of licence. The licence fee for a new manufactory shall be Rs.20,000/- per annum till the commencement of production or expiry of two years period from the issue of letter of intent, whichever is earlier.

When the Commissioner is satisfied that the applicant for expansion of production capacity of an existing manufactory has fulfilled the conditions, he may endorse the sanction of expansion on the existing licence.

In case the licensee fails to construct or expand and work the manufactory before expiry of two years from the date of grant of letter of Intent, the new licence or the expansion sanctioned shall be liable for cancellation without compensation for any damage or loss.

5.6 Existing licence under A.P.Distillery Rules, 1970:

The A.P.Distillery Rules, 1970 shall cease to operate on the commencement of these rules and all relevant licences granted under A.P.Distillery Rules, 1970 for such purposes as categorised in rule 3 of these rules shall be deemed to have been granted under these rules. Provided that the licence fee in respect of the existing distilleries shall be paid by the licensees proportionately from the date of commencement of these rules.

5.7 Licence fee structure :

- (1) The Government shall fix the production capacity of the Manufactory.
- (2) The capacity of the equipment and devices for bottling of Indian Made Foreign Liquor of a manufactory shall be according to the production capacity as fixed for the manufactory and shall be as per the specifications and norms as may be prescribed by the Commissioner from time to time.
- (3) The annual licence fee shall be fixed by the Commissioner basing on the production capacity in accordance with the licence fee structure prescribed hereunder :

Annual Production Capacity	Annual Licence Fee
1. Upto 20 lakh Pls	Rs. 20,00,000/-.
2. For every additional one lakh Pls or part thereof	Rs. 1,00,000/-.

Provided that the production capacity fixed shall not be reduced under any circumstances and in case of new licence granted under Rule 6(4)(a), the licensee commences manufacture from such date specified therein and the licence fee shall be proportionately on the production capacity for the remaining period of the licence.

Whenever, the licensed production capacity is fully utilized by the licensee before the completion of licensed year and if the licensee desires to have additional production during the remaining part of the licence year, the licensee shall take special permission from the government for causing additional production over and above the fixed production capacity by submitting the requirement through Commissioner. On grant of such permission, the licensee shall pay the additional licence fee on such additional production at the rate of Rs.2/- per proof litre of additional production.

5.8 Renewal of Licence :

Licence shall ordinarily be for a period of one year. The Licensee shall get his licence renewed before commencement of the licence year by paying the licence fee as prescribed in Rules 8 otherwise he is neither eligible to go into production nor permitted to transact any business. If the licensee fails to apply for renewal by paying the specified fee before commencement of the licence year, he shall pay the licence fee along with late fee specified below for renewal of his licence. The right of the licensee to get his licence renewed stands forfeited if the licence is not renewed continuously for period of 3 years.

Period	Late Fee
1. Within six months from the date of commencement of licence year	5% of Annual Licence Fee
2. After six months from the date of commencement of licence year.	10% of Annual Licence Fee

5.9 Excise Duty:

The Excise duty shall be paid at such rates as may be specified by the Government from time to time. The licensee shall execute an agreement binding himself his heirs, legal representatives and assignees to observe the conditions of licence, hypothecating the buildings, machinery apparatus together with the stock as security for the payment of money, which may be due to Government.

5.10 Sub-Leasing of manufactory :

The Commissioner on application made by the holder of a licence issued under these rules, permit Sub-leasing the whole or part of the licensed capacity of such manufactory to the proposed Sub-lessee.

- (a) a sub-lease fee of sum equal to 10% (Ten Percent) of proportionate license fee on the production capacity proposed for Sub-lease remitted in Government Treasury.
- (b) The licensee keeps a security deposit of an amount equal to 15% (Fifteen percent) of the annual licence fee of the Manufactory in the shape of Fixed Deposit Receipt or Bank Guarantee from a Scheduled Bank situated in Andhra Pradesh in the name of the Commissioner.
- (c) The Sub-lessee shall be responsible for payment of all dues, taxes and fees etc., payable to the Government pertaining to the period of Sub-lease. In case the Sub-lessee fails the same shall be recovered from the licensee.
- (d) The sub-lease granted under sub-rule (1) of Rule 10 is not transferable.
- (e) All the out standing duties, taxes, fees or any other dues payable to the Government shall be recovered from the Sub-lessee and the licensee as if they were arrears of Land Revenue.
- (f) The fixed deposit receipt or the bank guarantee produced as security deposit shall be returned to the licensee after the clearance of all the dues to the Government by the sub-lessee and licensee.

5.11 Manufacture of IMFL on Tie-up or Franchise Agreements :

(1) “Tie-up” means an arrangement made between the licensee holding a licence under A.P. Distillery (Manufacturer of Indian Made Foreign Liquor other than Beer and Wine) Rules, 2006 and a person(s)/Firm who desire to manufacture their products jointly.

(2) “Franchise” means an arrangement made between the licensee holding a licence under A.P. Distillery (Manufacturer of Indian Made Foreign Liquor other than Beer and Wine) Rules, 2006 and person(s)/Firm holding trade mark under Trade and Merchandise Mark Act, 1958 to use, manufacture and sale the products of such trade mark holder under Technical Collaboration.

If the licensee desires to undertake manufacture of IMFL brands (other than those of his own brands) pertaining to other distilleries under Tie-up arrangements or on Franchise agreement, he shall apply to the

Commissioner for such manufacture. The Commissioner may permit such Tie-up or Franchise arrangement for manufacture of IMFL under the following conditions :

- (a) A Tie-up or Franchise fee of sum equal to 10% of the annual licence fee on the proposed production capacity for such Tie-up or Franchise
- (b) The licensee keeps a security deposit of an amount equal to 15% of the proportionate annual licence fee on the production capacity under tie-up/franchise agreement in the shape of fixed deposit receipt or Bank Guarantee issued by any scheduled Bank situated in Andhra Pradesh in the name of the Commissioner.
- (c) The licensee and the person holding permission for Tie-up or franchise agreement shall be responsible for payment of all duties, taxes and fees etc., payable to the Government pertaining to the period of Tie-up or Franchisee agreements.
- (d) The security deposit shall be valid for the licensed period or till dues are paid to the Government whichever is later. All the outstanding duties, taxes and fees or any other dues payable shall be recovered from the licensee and the Tie-up/Franchisee agreement holder as if they were arrears of land revenue.
- (e) The fixed deposit receipt or the bank guarantee produced as a security deposit shall be returned to the licensee after the clearance of all the dues to the Government by the licensee and the Tie-up or Franchise agreement holder.

5.12 Shifting of Existing Distillery:

Where the management of a distillery intends to shift the distillery to another place, it shall notify the same to the Commissioner by an application in Form DM-3 after remitting an amount of Rs.2.00 lakh in the Government treasury and enclose the challan in original in support of payment along with the application. On receipt of such an application the Commissioner, if satisfied, may grant such permission after obtaining the orders from Government for shifting of the manufactory.

5.13 Change or Alteration of Licence:

Transfer of Licence :

No licensee shall, except with the sanction of the Commissioner transfer his license to any other person. The Commissioner may allow such transfer of license on payment of a fee of Rs.2.00 lakh and on obtaining such undertaking or Bond and such other material or documents to protect the interest of the Government. When there are two partners in the firm holding the licence and one of them withdraws or expire, the entity of firm changes from partnership to proprietary and it amounts to transfer of licence. Conversion of a proprietary concern into a firm or a company or a firm into a company and vice versa shall amount to transfer of licence.

Inclusion or Exclusion of Partners:

No licensee shall except with prior permission of the licensing authority get any person included as partner to his business or get an existing partner excluded.

Death of licensee or incapability of the licensee:

The legal heirs of the deceased licensee, may apply for continuance of the licence in their name to the Commissioner within thirty days of death of the licensee. If the Commissioner is satisfied he may permit the legal heirs to continue the licence in the name of such legal heirs.

Merger of licence:

When two or more existing distilleries desire to merge into one distillery may apply to the Commissioner in Form DM3(M) along with a challan for Rs.2.00 lakh On receipt of such application the Commissioner may, if satisfied, may grant such permission after obtaining the orders from the Government for merger of the manufactories.

5.14 Labelling of Liquor Bottles :

- (1) The licensee shall label each bottle after bottling with a label printed in English or Telugu Language showing the name of the licensed manufactory and the place where the bottling is done.
- (2) The labels shall be affixed to the liquor bottles only after such labels are approved by the Commissioner.

5.15 Approval of Labels:

The licensee shall submit an application in Form-DM-5 to the Commissioner and shall enclose with ten copies of each variety of label sought to be approved. The licensee shall remit the label approval fee as specified below and the challan in support of the payment is produced with the application.

- (a) Rs.2,00,000/- in respect of each variety of brands of liquor whose basic price is upto Rs.700/-
- (b) Rs.50,000/- in respect of each variety of brands of liquor whose basic price is above Rs.700/-

The licensee shall also get the label re-approved for each licensed year by paying the label fee specified as above, provided that if a particular label was approved in a year, the stocks bearing such label are laying unsold in the ware house, the licensee need not get such label re-approved for the purpose of their release of such stock in the subsequent years. In case of supply of liquor to Canteen Stores Department, the licensee get each variety of label approved seperately by paying the label fee as specified above. The label fee once remitted and the label was duly approved it shall not be refunded or adjusted for any reason including withdrawal or cancellation of rate contract by the Andhra Pradesh Beverages Corporation Limited or non-issue of purchase orders.

5.16 Affixture of Excise Adhesive Labels (EAL):

The licensee shall affix each sealed bottle of liquor with the excise Adhesive label supplied by the Excise Officer. No bottle containing liquor without EAL shall be issued from the manufactory.

The Excise Officer shall issue only such number of adhesive labels as are required for affixture on the bottles of liquor produced every day. And he shall maintain an account of EAL in such a form as may be prescribed by the Commissioner from time to time.

5.17 Drawal of samples :

The licensee shall, when required permit samples of the material used or liquor manufactured to be taken for analysis under the orders of the Commissioner or by any officer authorized by him to take samples. Each sample shall be taken in three 750 ml. Bottles or when the material cannot be placed in bottles, in three parcels, in the presence of a representative of the licensee each bottle or parcel shall be immediately and securely sealed in the presence of the excise Officer and the licensee's representative. One bottle or parcel shall then be made over to the licensee representative, the second shall be sent for analysis and the third be kept by the Excise Officer, pending disposal of the case.

5.18 Wastages allowed :

The following wastages shall be allowed under the provisions of Rule 23

Nature	Percentage of Wastage allowed
(1) The deficiency of spirit allowed in storage including storage for maturation, storage after reduction and as blend.	Not exceeding 2% for each period of 3 months.
(2) Transit loss of spirit including losses due to evaporation during transit.	Not exceeding 0.5% of the quantity transported in each consignment.
(3) Loss of spirit in manufacturing operations including filtration, colouring, bottling, etc.	Not exceeding 2.5% to be reckoned on the quantity of spirit take for each day.

The licensee shall pay the Excise duty at the then existing rate on the deficiencies of spirit in excess of the limits specified above.

5.19 Removal of Liquors :

Liquor manufactured or stored otherwise than that under bond shall be removed only after payment of Excise Duty as specified in Rule 10 and cost of Excise Adhesive labels as specified by the Commissioner from time to time. No IMFL shall be issued in quantities of less than 90 litres. On payment of Excise Duty and cost of Excise Adhesive Labels, a transport permit for removal of liquor shall be granted by the Excise Officer in-charge of the unit. Every application for a transport permit for removal of spirit or liquor shall be made in writing to the Excise Officer and shall be accompanied by a challan in original in support of payment of cost of excise adhesive labels at the rate specified by the Commissioner from time to time and the certificate or permit being either a general or a special one for the purpose of a single removal. The licensee shall present the treasury receipt in token of his payment of the excise duty and cost of labels (EAL) to the Excise Officer. The licensee shall be responsible for the correct and full payment of excise duty on IMFL to be removed. But if he is in doubt as to the amount of such excise duty, he may, prior to its payment in the treasury, apply to the excise officer for a revision of calculation.

An application for removal of spirit from the store room to the matured spirit warehouse shall be made in writing to the distillery officer, specifying the serial number of each cask and its full capacity and the quantity and strength of the spirit it contains. No cask of less than 40 litres shall be moved for deposit in the matured spirit warehouse.

5.20 Maintenance of Registers :

The following Registers are to be maintained in every IMFL manufactory :(1) ENA Stock registers, (2) Allotment and lifting of ENA Register, (3) Malt spirit stock Register, (4) Grape Spirit/other spirits stock register, (5) Blend Account register, (6) Bottling operations Register, (7) Brand wise stock Register, (8) Consolidated stock Register of finished stock, (9) Issues Register, (10) EAL Stock Register, (11) Utilization of EALs Register, (12) Sample Register, (13) Purchase Order Register, (14) Distillery Gate Pass Register, (15) Excise Duty/user charges Register and (16) Reconciliation Register.

5.21 Audit Checks:

- 1) It should be checked in audit that the prescribed fees and deposits have been made by the licensee and the conditions laid down in the licence have duly observed.
- 2) It should be verified whether there is any additional production over and above the fixed production capacity. If so, additional licence fee and duties at the prescribed rates on additional production was collected and remitted.

- 3) It should be verified in the cases of renewals/shifting of premises/change in licensee or sub-leases etc., the requisite fee have been collected and remitted.
- 4) It should be verified in audit, that, the wastages are within the limit prescribed. If it exceeds such limits, the duties for the wastage quantity in excess of limits are realised.

CHAPTER – 6 FOREIGN LIQUOR AND INDIAN LIQUOR

6.1 The term ‘liquor’ includes spirits of wine, denatured spirits, methylated spirits, rectified spirits, wine, beer, toddy and every liquor consisting of or containing alcohol and any other intoxicating substance which Government by notification declare it to be liquor for the purposes of Andhra Pradesh Excise Act, 1968. There are two types i.e. foreign liquor and Indian liquor.

6.2 Foreign liquors refer to liquors like whisky, brandy, gin, rum and beer, imported into India. Indian Liquor means liquor produced, manufactured or compounded in India after the manner of gin, brandy, whisky or rum imported from foreign countries and includes ‘milk punch’ and other liquors consisting or containing any such spirits but does not include foreign liquor.

The Andhra Pradesh Excise Indian Made Foreign Liquor and Foreign Liquor Rules, 2006

In exercise of the powers conferred by Section 72 read with sections 17, 28 & 29 of the Andhra Pradesh Excise Act 1968 (Act 17 of 1968) and Ordinance 5 of 2005 the Governor of A.P. made the following rules.

(These rules may be called:)

- (I) The A.P. Excise (Lease of Right of selling by Shop and Conditions of Licence) Rules, 2005 (G.O. Ms.No.998 Revenue (Ex.II) Department dt. 24-05-2005).
- (II) The A.P. Excise (Grant of Licence of selling by Bar and Conditions of Licence) Rules, 2005. (G.O. Ms.No.997, Revenue (Ex.II) Department, dt.24-05-2005).
- (III) The A.P. Excise (Grant of Licence of Selling by In-house and Conditions of Licence) Rules, 2005. (G.O. Ms.No.999, Revenue (Ex.II) Department dt. 24-05-2005).
- (IV) The A.P. Excise (Import, Export and Transport of Indian Made Foreign Liquor and Foreign Liquor – permits) Rules, 2005. (G.O.Ms.No.996, Revenue (Ex.II) Department, dt.24-05-2005).

They shall extend to all the areas where the Andhra Pradesh Excise Act, 1968 is in force and come into force from the date of issue of above Government Order.

I. The A.P. Excise (Lease of Right of Selling by Shop and conditions of Licence) Rules, 2005.

6.3 Definitions:

- (1) “Auction” means grant of lease by way of inviting sealed tenders from the public.
- (2) “Auctioning Authority” means the office authorized to conduct auction and call for tenders under rule 11.
- (3) “Auction Purchaser” means the person whose tender is accepted by the Auctioning Authority.
- (4) “Dry Day” means a day on which no liquor shall be sold in the licensed premises. The licensed premises shall be closed and no business transacted on the following days declared as dry days:

26th January – Republic Day.
15th August Independence Day
2nd October – Gandhi Jayanthi

Provided that the Licensee shall not be entitled to any compensation whatsoever for the closure of the licensed premises.

(5) “Highest Tenderer” means a person who offers the highest lease amount by tender.

(6) “Lease Amount” means the amount payable in respect of a shop as part of sum in consideration of the grant of lease payable under section 23 read with section 17 of the Act.

(7) “Lease Period” means the period of two years commencing from 1st July, of the year of the period or part thereof.

(8) “Licence” means licence issued to a lease holder under these rules.

(9) “Licensed premises” means where Indian Liquor and Foreign Liquor is permitted to be sold by the lease holder.

(10) “Permit Room” means a Privilege granted under these rules in Form A-4 (B) to a holder of licence in Form A-4 to allow consumption of IMFL & FL in a separate permitted premises adjacent to the A-4 licenced premises.

(11) “Population” means the figure of population as officially published in the latest census.

(12) “Shop” means a privilege granted under these rules for sale of IMFL & FL in sealed or capsuled bottles or packages of tins to an individual in quantities not exceeding the limits as prescribed without permitting consumption of the licensed premises.

(13) “Tenderer” includes his power of Attorney holder.

(14) “Transport Permit” means a permit issued by competent officer for transport IL & FI from Andhra Pradesh Breweries Corporation Limited depot to licensed premises as the case may be.

(15) “Excise Adhesive Label” means the label designed and approved by, printed and supplied under the supervision and control of the Commissioner of Prohibition and Excise, from time to time in different forms for the purpose of its affixture to sealed bottles of different varieties and sizes containing liquor.

6.4 Establishment of Shops through inviting tenders:

The Collector shall be the auctioning authority. However, the Commissioner or Collector may in his discretion authorize the Deputy Commissioner or any other officer not below the rank of Superintendent of Prohibition & Excise Department to conduct auction and accept tender. The Commissioner may authorise any Collector to conduct auction accept tenders in more than one district.

Where it is proposed to grant the lease for sale of IMFL & FL by shop a notice of the proposed auction shall be published at least (7) seven days in advance of the date of auction, by the District Collector in District Gazette.

The Grant of lease of right to sell IMFL & FL by shop shall ordinarily be granted by inviting sealed tenders from the public after due notification. The lease shall be for a period of two years or part thereof.

The tenderers are required to submit the requisite documents alongwith a notarized affidavit in Form A-2 made on non – judicial stamp deed of the requisite value as per the provision of Indian Stamp Act, containing the particulars of his own immovable property and the present market value thereof and encumbrances existing, if any, disclosing all necessary particulars thereof for an amount of not less than five lakh rupees or a Bank Guarantee for an equal amount. The highest tender may be accepted if the lease amount offered is higher than the upset price notified. If any person who is disqualified is found to be holding a lease, the licence thereof shall be withdrawn in accordance with section 32 of the Act and the lease shall be re-auctioned. If such disqualification comes to the notice of the auctioning authority before the lease is granted but after the tender is accepted, the auctioning authority may accept the next highest tender if it is above the upset price or conduct re-auction as the case may be. Every person whose tender has been accepted shall sign in relevant register and auctioning authority shall also obtain signature of next two highest Tenders in a separate register.

6.5 Lease amount to be offered in tenders:

Lease amount shall be offered in the tender for the lease period in respect of a shop put up for auction alongwith declarations in accordance with the Auction Notification published in District Gazette, which should be attached to the exterior of the sealed tender and submitted to auctioning authority on or before the last date and time alongwith a Challan for Rs.5,000/- being non-refundable participation fee and earnest money deposit equal to 5% of up-set price fixed as notified in shape of demand draft from a schedule bank in favour of auctioning authority or Commissioner before opening tenders. Other wise tender for that shop shall be rejected.

When on the opening of the sealed tenders it is found that two or more tenders have quoted the same highest amount, the successful auction purchaser among such tenders shall be selected by drawal of lots

6.6 Licence to auction purchaser:

The successful auction purchaser shall obtain licence in Form A-4 duly intimating premises where the shop will be located. The following documents shall be submitted by the purchaser.

1. Immovable property in Form -A1 and sureties in Form –A28 as security put together to a minimum of ½ of the lease amount.
2. To execute a Counterpart Agreement on stamp paper of the requisite value in Form A-6.

6.7 Mode of Payment of lease amount:

The lease amount shall be paid in six equal installments. The auction purchaser shall pay first installment sum equal to 1/6th of lease amount immediately on the day of acceptance of the tender. The earnest money deposited may be adjusted towards first installment. Failure to remit 1/6th of lease amount, the shop shall be allotted to next highest tender or be re-auctioned as the case may be, provided, on account of re-auction if the amount is less than up-set price, the original auction purchaser shall be liable to pay resultant loss to the Government besides the amounts already paid shall also be forfeited. The auction purchaser shall be required to

submit two fixed deposit receipts or Bank Guarantee each equal to 1/6th of lease amount valid upto 5 and 9 months respectively issued by a scheduled bank situated at Andhra Pradesh within fifteen days of acceptance of tender. The balance 2nd to 6th installments shall be remitted on or before 20th of October, February, June, (of first year), October and February (of second year) respectively along with a fresh bank guarantee valid for 9 months on each occasion. In case of default in payment of any instalment, the amount due shall be adjusted from fixed deposit receipt or the bank guarantee. Interest accruing on fixed deposit receipt shall vest in the Government and amounts due, if any, shall be adjusted and balance returned at end of the lease period.

6.8 Counterpart agreement:

After tendering the deposit and advance amount it shall be the duty of the auction purchaser to execute a counter part agreement in conformity of the tender of the lease in Form A-6 on the required non-judicial Stamp before taking out the licence for the sale of IMFL and FL, it shall come into force with effect from 1st July of the year to which the auction relates and valid for the balance period of the lease.

6.9 Grant of Permit Room Licence:

A holder of the licence in Form A-4 may be permitted to have a Permit Room Licence in Form A-4 (B) to serve liquor in loose located in place whose population is 5000 and above, after payment of licence fee of Rs.2,00,000/- calculated proportionately to the whole months of the licence period and a part of the month shall be reckoned as a whole month.

No such permit room will be granted in Municipal Corporations and within a belt area of 5 Kms. from periphery of such Municipal Corporations, Municipalities and within a belt of 2 Kms. from the periphery of such Municipalities and in notified Tourist Centres.

6.10 Shifting of Licensed premises:

The lease holder shall sell the liquor only at the premises specified in the licence and no change, alteration or shifting of premises shall be made. The Commissioner, may permit, shifting of premises on payment of 1% of the lease amount or Rs.25,000/- whichever is higher for valid reasons in notified area in the same mandal or municipality or Municipal Corporation without effecting total number of shops.

6.11 Death of Auction purchaser:

In the event of death of Licence holder his heirs shall be entitled to grant of License. If the heirs do not intend to hold the lease, they shall within 15 days from the date of death of lessee communicate the unwillingness to the Prohibition & Excise Superintendent. In such case, alternate arrangement or to re-auction the lease and any loss of revenue sustained by the Government shall be recoverable as arrears of Land Revenue from the property of the original auction purchaser.

6.12 Inclusion/Exclusion of a Partner:

A lease holder with the prior permission of the Commissioner, get any other person included as a partner to his business or get an existing partner excluded.

The Commissioner may permit the lease holder at his request to get any person(s) included as a Partner(s) to his business or excluded any existing partner(s) other than the Original auction purchaser on payment of fee of 2% of the lease amount or Rs.50,000 whichever is higher.

Suspension, Withdrawal or Cancellation of a Lease, License or permit:

A Lease, licence or permit may be suspended, cancelled or withdrawn in accordance with provisions of Section 31 or 32 of the Act. The lease may be re-auctioned on cancellation or withdrawal.

6.13 Stocks on cancellation of a Lease or Licence:

If a lease or licence is cancelled on account of a criminal case, during the currency of the lease period, the whole stock of the IMFL or FL seized from the shop shall be confiscated and sold to any lease holder. The sum, so realised shall be credited to the Government.

6.14 Bottles for sale to carry labels:

Every bottle of IMFL or FL in a licenced premises shall carry Excise adhesive label on the top of the bottle in addition to Manufacturer label as approved by the Commissioner.

6.15 Sale of duty paid liquors:

The Lease holder shall sell only duty paid IMFL and FL. The lease holder shall purchase IMFL and FL from the allotted deposit depot of APBCL only.

6.16 Lease holder to maintain accounts:

The Lease holder shall maintain full and day to day accounts of IMFL and FL received and disposed of in form R-1 the pages of which are machine numbered serially.

6.17 Stocks on withdrawal of lease or licence:

If a lease or licence is withdrawn during the currency of lease period under Section 32(1) or clause (c) of the Act, the whole stock of the IMFL/FL shall be seized and sold to any other lease holder. The sale proceeds shall be refunded to the lease holder after deduction of expenses incurred or any other sum due to the Government.

6.18 No remission allowed for closure:

The lease holder shall not be entitled for remission of lease amount of compensation on account of closure of licensed premises when the same is ordered to close under Section 20 of the Act.

6.19 Grant of Godown licence for storage of IMFL/FL:

A holder of the licence of Form A-4 may be permitted to have a Godown Licence for Storage of IMFL/FL in Form A-4G after payment of Licence fee of Rs.1,00,000/- for the lease period. The Godown shall be located in a revenue village/municipality/ municipal corporation limits where the A-4 shop is located.

(II) *The Andhra Pradesh Excise (Grant of License of selling by Bar and Conditions of Licence) Rules, 2005.*

6.20 Definitions:

“Bar” means the privilege granted under the Act to an establishment where food is served, for sale of IMFL/FL, in loose for consumption on the licensed premises.

“Licence Fee” means annual licence fee as notified by the Government from time to time and includes proportionate licence fee.

“Licence Period” means a period of 12 months beginning from the 1st July of the year and ending with 30th of June of the succeeding year on part thereof.

“Proportionate Licence Fee” for the purpose of collection of Licence Fee means Licence Fee calculated proportionately to one quarter of the Licence Fee, provided that a part of the quarter shall be reckoned as a whole quarter.

6.21 Licence:

A licence in Form-2B, may be granted to an establishment licensed by the local authority to serve food such as a Hotel or Restaurant, for sale of IMFL/FL in glasses or pegs for consumption within the licenced premises but not for sale by removing it out of the licensed premises. Such licence may be granted in Municipalities within a belt of 2 kms. of the periphery area, Municipal Corporation within a belt of 5 kms. of the periphery area and in Tourism Centers (Except places of religious tourism) as notified by the Department of Tourism of the State or Central Government.

6.22 Procedure for obtaining licence:

The Commissioner shall be competent to grant prior clearance and Deputy Commissioner shall be competent to grant the privilege of Bar. The Prohibition and Excise Superintendent shall issue the licence in the prescribed Form-2B.

The person intending to establish a Bar, may submit an application in Form-1A to the Commissioner enclosing a challan of Rs.1,000 to get prior clearance in Form-2A. the holder of prior clearance in Form-2A may apply in Form-1B alongwith a challan for Rs.10,000 towards non-refundable application fee for grant of licence for a Bar to the concerned Proh. & Excise Superintendent. The Proh. & Excise Superintendent should examine the suitability of the premises and forward the same to the Deputy Commissioner of Prohibition and Excise of the division who is competent authority to grant such licences. The application before issue of the licence shall be required to execute a counter-part agreement in Form-4B.

The bar Licence shall be valid for one year commencing from 1st July ending with 30th June of the succeeding year subject to a payment of licence fee. The rates of annual licence fee shall be as notified by the Government from time to time and on the basis of population as notified by the Government from time to time at the time of issue of 2-B licence. Licence issued after the 1st July is also valid upto 30th June of the succeeding year or as specified by the licensing authority.

6.23 Renewal of 2B Licence:

The Licensee may apply for renewal of 2B Licence to the Deputy Commissioner before 15 days of its expiry along with a challan for Rs.1,000 towards renewal fee.

Mode of levying and method of payment of licence fee:

The annual licence shall be paid before commencement of the Licence period in one lumpsum or in two equal installments in a manner as notified from time to time.

An additional 10% of licence fee and Rs.10,000/- is payable for each additional non contiguous enclosure for consumption purposes and Rs.10,000/- is payable for extension contiguous licensed premises.

Provided:

- (i) that the licence fee in respect of Bar situated within a belt of 5 Kms from the periphery of Municipal Corporation measured in a straight line on the horizontal plane shall also be at the rate of licence fee of Bar situated within the limits of Municipal Corporation:
- (ii) that the licence fee in respect of bar situated within a belt of 2 km from the periphery of Municipalities, and notified areas measured in a straight line on the horizontal plane shall also be at the rate of licence fee of bar situated within the limits of such Municipalities and notified areas.
- (iii) where Bar falls within the belt area of a Municipal Corporation as well as a Municipality and Notified area the licence fee payable shall be the fee applicable to the Bar situated in the belt area of the Corporation.

As per provision of Rule 3(a), the annual licence fee shall be paid before commencement of the licence period in one lumpsum or in two equal instalments or in a manner as notified from time to time. Where the licence is issued before 1st July the 1st instalment, i.e., half of the annual licence fee shall be paid into Government Treasury through challan along with a fixed deposit receipt or a Bank guarantee from a Schedule Bank situated in Andhra Pradesh for an equal amount to half of the annual licence fee. The bank guarantee is valid for a period of seven months. The Balance of 2nd instalment of annual licence fee shall be paid on or before 20th December of the same year, failing which the licence shall stand cancelled automatically on the expiry of such date.

The Licensees were also be permitted to pay 1/3rd of annual licence fee together with a fixed deposit receipt or a Bank Guarantee for an amount equal to 2/3rd of annual licence fee. The 2nd and 3rd instalments of the annual licence fee of 1/3rd each shall be remitted on or before 20th September and 20th December respectively, subject to payment of interest @ 18% per annum on 1/6th of annual licence fee from 1st July to 20th September of the licence period.

The annual licence fee in respect of licences granted during the currency of licence period and mode of payment shall be on the following scale:

Licence granted between	Licence fee	Mode of payment
1 st July and 30 th September	Full Annual Licence fee	In accordance with provisions of Rule 3 (a)
1 st October and 31 st December	3/4 th of Annual Licence fee	50% of licence fee shall be remitted before issue of licence together with a fixed deposit receipt or bank guarantee for balance
1 st January and 31 st March	½ of Annual licence fee	One lumpsum before issue of licence
1 st April and 30 th June	1/4 th of Annual licence fee	One lumpsum before issue of licence.

All the deposits / bank guarantees shall stand forfeited to the Government in the following events:

Failure to remit the installments on the due dates (the licence shall stand cancelled).

Surrender of licence in the middle of licence period.

Cancellation of suspension of licence for violation of rules and conditions of licence (either in full or part depending upon the nature

of violation). In case the licence fails to make good the extent of forfeited deposit/Bank Guarantee within the time fixed, the licence automatically stands cancelled.

In case a licence is refused, the fee paid shall be refunded.

6.24 Sale permitted at the licensed premises only:

The Licensee shall sell the liquor only at the premises specified in the licence. No change or alteration of the licensed premises shall be made during the licence period without prior approval of the concerned Deputy Commissioner.

Extension of the licensed premises by adding contiguous enclosures to the existing permitted enclosures for consumption may be permitted by the Deputy Commissioner subject to payment of an extension fee of Rs.10,000.

Extension of the licensed premises by adding separate enclosures having no contiguity with the existing permitted enclosures may be permitted by the Deputy Commissioner subject to payment of additional licence fee at the rate of 10% of licence fee for each such separate enclosures and on payment of extension of Rs.10,000.

No shifting of the licensed premises shall ordinarily be permitted during the licence period from one location to another. However, the shifting of the licensed premises may be considered by the Commissioner subject to payment of Rs.10,000 as shifting fee, if the shifting of the original licensed premises of Hotel and Restaurant is permitted by the local authority.

6.25 Transfer of Licence:

No licence shall be transferred to any person without sanction of Commissioner, provided, no cases involving contravention of Excise Act and Rules pending and on payment of prescribed fee and on production of clearance certificates from Sales Tax and Income Tax.

Provided that instead of permitting a licence to be transferred, the Commissioner may require the transferee to take out a fresh licence on payment of fees.

(i) The fee payable by any licensee for the privilege of having the transfer of his licence to any other person shall be 10% of the fee chargeable for grant of such licence.

(ii) Mere change in name and keeping the entity intact does not amount to transfer of licence. In such cases, the Commissioner may allow change in trade name on payment of Rs.1,000/- and on production of required certificates.

(iii) When there are only two partners in the firm holding the licence and one of them withdraws or expires, the entity of the firm is changed from partnership to proprietary, it amounts to transfer of licence. Conversion of proprietary concern into a firm or a company or a firm into a company and vice versa shall amount to transfer of licence.

(iv) No licence shall except with prior permission of the licensing authority get any person included as partner to his business or get an existing partner excluded so long as the partnership nature of the business does not change.

Provided that where there was dissolution of partnership, it shall be notified to the Commissioner.

(III). The Andhra Pradesh (Grant of Licence of Selling by in-house and conditions of licence) Rules, 2005:

6.26 Procedure for obtaining licence for sale by In-house.

The Commissioner of Prohibition & Excise may grant the following Category in-house licenses and permits to sell IMFL/FL in Glasses or Pegs for consumption within the licensed premises run by it. The application for the purpose of grant of such licences may be submitted to the Prohibition & Excise Superintendent of the District concerned in the prescribed proforma. The Prohibition & Excise Superintendent after examining the suitability of the premises and fulfillment of the conditions for granting licences, he may forward the same to the Commissioner through Deputy Commissioner of the Prohibition and Excise. The application shall execute a counterpart agreement in Form CG-1 before issue of licence. The period of licence shall be valid for one year from 1st July, ending with 30th June, of the succeeding year subject to payment of licence fee in lumpsum before commencement of lease year to which it relates except in the case of event permit. The licences issued after 1st July shall be valid upto 30th of the succeeding year.

If a licence is refused, the fee paid shall be refunded. The licence stands cancelled or suspended for violation of rules and conditions and surrendered during the licence period, no fee shall be refunded, in such cases

6.27 Category of licences:

The following category of licences for sale of Foreign liquor and Indian liquor by In-house and the licence fees are payable as per the rates prescribed by Government from time to time based on the population as per latest census as detailed.

Category of Licence	Population of Municipal Corporations/Municipality/Notified areas/Hamlets	Licence fee
1. In-House licence in form TD-1 for sale all kinds of IMFL/FL to be consumed in the guest house run by APTDC Ltd	Below 300000 Lakh	Rs.3,00,000/- per year.
	Above 300000 lakh	Rs.6,00,000/- per year.
2. In-house Beer pub in Form TD-2 for sale of Beer in Guest house run by APTDC.		Rs.2,00,000/- per year.
3. Canteen Stores (in-house Storage & Supply) for sale of IMFL/FL for non-consumption in Form CS-3.		Rs.30,000/- per year.
4. a) Event Permit in Form EP-.	Below 10000	Rs.3,000/- per each day

	Above 10000 & below 50000	Rs.3,500/- each day.
	Above 50000 & below 300000	Rs.4,500/- per each day.
	Above 300000 and below 700000	Rs.5,200/- per each day.
	above 700000	Rs.6,000/- per each day.
5) a) in-house club licence in Form C-1 for sale of IMFL/FL to the members of the club to be consumed on the premises of the club.	Below 300000 Lakh Above 300000 Lakh	Rs.3,00,000/- per year Rs.6,00,000/- per year.
5. b) In House consumption in military canteen in Form CS-I, for sale of IMFL.	Below 10000 Above 10000 & Below 50000	Rs.1,000/- per year. Rs.1,500/- per year.
5) c) In-house sale of IMFL & FL in Military Canteen for non-consumption in Form CS-2.	Above 50000 & below 300000 lakh Above 300000 lakh	Rs.2,500/- per year. Rs.2,500/- per year.
Airport transit lounge licence (in Form AL-1)for possession and sale of FL and Beer to International Air Passengers.		No fee.

Provided that:-

The Licence fee in respect of clubs situated within a belt are of 5 Kms from the periphery of Municipal Corporation shall be at the rate of licence fee of such corporation and rate of licence fee for clubs situated within a belt area of 2 Kms from periphery of Municipalities/notified areas shall be limited to such areas.

The service clubs attached to public Institutions and professional Associations where membership is restricted and the consumption does not exceed 3000 Quarts of IML, and 10000 bls of Beer per licence year, the fee shall be Rs.62,500/- provided such clubs falls within the belt area of a corporation /municipality/notified are, the fee shall be the fee applicable to club situated in corporations

Note : The above conditions apply to Sl.No.5(a), 5(b) & 5(c) only

6.28 Privilege Fee:

Whenever Indian Made Foreign Liquor and Foreign Liquor is supplied to licence in form TD-1, TD-2, C-1 and EP-1 a privilege fee @ 10% in excess of sale price that charges by APBCL to holder of A-4 licence (Shops) shall be levied.

(IV). Import, Export and Transport of IMFL & FL

6.29 Import of Foreign and Indian Liquor :- A holder of a wholesale licence for sale of Indian Liquor and Foreign Liquor desiring to import the same from outside the State has to apply to the Collector for an import permit. Application will be in Form F.L. 1 with a court fee stamp of Rs.2. On receipt of the application, the Collector may, after such enquiry as he may consider necessary and on being satisfied that there has no objection to issuing the permit, will require the applicant to permit to pay the countervailing duty in case he is not having a bonded warehouse for the quantity of liquor to be imported. On production of the challan in support of the payment at the rates in force, the Collector will grant the import permit. If the applicant is a licensee of a bonded warehouse, the import permit will be granted by the Collector without pre-payment of countervailing duty but subject to the provisions of the Andhra Pradesh Indian Liquor (Storage in Bond) Rules, 1969. The Prohibition & Excise Superintendent will issue the permit order over his signature. The Import permit in Form F.L.2 will be issued in five copies. The first copy will be retained in Excise Superintendent's Office, the second copy will be sent to the Excise authorities of the State from where the liquor is imported or the Collector of Customs if imported from abroad, the third copy will be handed over to the importer and fourth copy will be sent to the Excise Officer having jurisdiction over the place and the fifth copy to the exporting unit. On arrival of the liquor, the permit holder will intimate within 3 days the fact in form F.L.3 to the Excise Officer to whom the fourth copy has been sent. The Excise Officer will verify the consignment, record a certificate indicating the results of his verification as provided in the aforesaid form and send it to the Excise Superintendent who has issued this permit. The liquor should be brought by the route authorised.

The Andhra Pradesh (Import, Export and Transport of IMFL & FL Permits) Rules, 2005.

These rules shall apply for the import, export and transport of IMFL & FL but not for the manufacture, production, compounding blending, rectifying, flavouring, colouring fortifying, diluting, bottling or sale.

6.30 Definitions:

“Distillery or Brewery Permit” means a permit issued by the Distillery or Brewery officer, as the case may be, for release of IMFL or Beer there from.

“Permit” means a permit issued under these rules and includes a pass and an authorization.

“Through transport permit” means the permit for the transport from a place outside the State to any other place outside it through the intervening area of the State whether by way of consignment or otherwise.

Import Permit: IMFL shall be permitted to be imported in bottles affixed with only those labels which have been approved by the Commissioner of Prohibition and Excise.

Manufactures of IMFL or Brewery of other States Military canteen stores and APBCL, are only eligible to apply for such labels under these rules. The application shall be in form L-1 duly affixed with court fee stamp of requisite value and shall be enclosed with 50 copies of each variety of label sought to be approved and a challan for Rs.2.00 lakh towards non-refundable fee in respect of brands of IMFL whose basic price is upto Rs.700/- and of Rs.50,000 in respect of brands of IMFL whose basic price is above Rs.700/- for each such variety of label and for re-approval the fee payable shall be Rs. 2.00 lakh for each variety of lable. The applicant shall

also get label re-approved every year by paying Rs. 2.00 lakh and Rs. 50,000 respectively in respect of brands of IMFL as in the manner stated above. In case of Beer the fee so payable shall be Rs. 2.00 lakh for each variety of label. Further in case of wine, either Grape-based or other fruit-based which should not contain more than 42% proof spirit, the label approval fee shall be Rs.10,000. The label shall be approved for each Excise Year after collecting the same fee applicable for approval. The import shall be done only through the Andhra Pradesh Bewerges Corporation Limited which has been vested with exclusive privilege of import.

6.31 Procedure for payment of Excise Duty:

On receipt of an application, Prohibition & Excise Officer not below the rank of the Assistant Prohibition & Excise Superintendent authorised by the Commissioner may after such inquiry and on satisfaction shall issue import permit in Form L.2. After verifying that the applicant has credited the entire countervailing duty leviable on the liquor to be imported at the rates in force, that the applicant has credited import fee at the rate of Rs.2/- per bulk litre in respect of Beer, Cider, Ale, Stout, Porter or other Fermented Liquor usually Malt, Grape, Plain, High Bouquet Spirits, etc. or Foreign Liquor and any other IMFL Further the labels of each variety of IMFL and FL sough to be imported by the applicant or those approved by the Commissioner.

The Import of IMFL & FL shall be from and to any particular place or premises and through the route mentioned in the import permit. If the permit holder has more than one licensed premises separate import permits shall be obtained therefor. The IMFL or FI covered by the import permit shall be brought to its destination within the period of validity and permit holder shall send the intimation of arrival of IMFL or FL to that prohibition and Excise Superintendent. When it is not possible the permit holder shall intimate the fact to the authorized officer for extension of the period of validity, three days in advance of the expiry of the validity of the permit, specifying the reasons necessitating for extension of the validity period of the import permit. Where the IMFL/FL despatched by the exporting Distillery/Brewery within the validity period of import permit and reached the AP State Border Check post of Prohibition & Excise Department within the validity period of the permit but reached at the destination after expiry of the validity of the permit for the reasons beyond the control of the permit holder, shall apply to the Commissioner of Prohibition and Excise for revalidation of the permit explaining the reasons for delay through the Excise Supervisor Officer. The Commissioner of Prohibition & Excise will revalidate the permit without forfeiting the countervailing duty (CVD) and the import fee on being satisfied with the reasons putforth by the permit holder. Otherwise the CVD and import fee are liable for forfeiture. Where the import to IMFL or FL is not made within the validity of the import permit or within the extended period of the permit under Rule 9(3) or revised import permit obtained under rule 9(4) the CVD and the import fee paid shall accrue to the Government on expiry of the validity specified if the import permit. The CVD and the import fee once paid shall not be refunded in any case.

Export Permit:

6.32 Export of Indian liquor and Foreign liquor: Any holder of a wholesale licence for sale of Indian liquor and Foreign liquor or of Distillery or Brewery licence for manufacture of Indian liquor or beer and desiring to export the liquors outside the State will apply to the Commissioner for granting the issue of an export permit. The application in Form F.L.4 will bear a court fee of Rs.2. It will be supported by an import permit granted by the Excise authorities of the importing State. If the Commissioner is satisfied that there is no objection to issue the export permit applied for, he will issue the permit subject to the following conditions, namely.

that the applicant has paid and produced the challan in original in token of having credited into the Government Treasury the Excise duty at the rates in force for the quantity of Indian liquor proposed to be exported; or that he has furnished a suitable bank guarantee covering the entire excise revenue due on the consignment to the satisfaction of the Commissioner and

- (ii) that the applicant has paid and produced the challan in original in token of having paid the export fee at the prescribed rates.

6.33 The permit will be issued in Form F.L.5 in quadruplicate. The first copy will be in the Commissioner's Office, the second copy will be sent to the Excise authority of the State to which the liquor is exported, the third copy will be given to the applicant and the fourth copy will be sent to the Excise Officer in-charge of the distillery or brewery or the place within whose jurisdiction the licensed premises of the applicant is situated. The applicant, after paying the export fee and the excise duty or furnishing the bank guarantee in lieu of the excise duty and obtaining the export permit in Form F.L.5 will apply to the Excise Officer to whom the fourth copy of the permit has been sent, to issue the export pass in Form F.L.6. The export should be made by the routes authorised. The person who exports should obtain a verification report from the Excise Officer at the destination point and furnish it to the authority who issued the export permit within 21 days after the expiry of the validity of the export permit failing which the Excise Duty if already paid or bank guarantee if given shall be appropriated to the Government.

IMFL Shall be permitted to be exported in bottles affixed with only those labels which have been approved by the Commissioner of Excise in accordance with these rules.

Manufacturers of IMFL or Breweries within the State shall be eligible to apply for approval of such labels under these rules. Any holder of D2 licence or B2 licence for manufacture of IMFL or beer as the case may be desiring to export IMFL and Beer outside the state from his licensed premises shall apply to the Commissioner through the APBCL for grant of issue of an export permit. The application has to be made in form L-4 and shall be enclosed with 50 copies of each variety of labels and a challan for Rs.2.00 lakh towards in respect of brands of IMFL whose basic price is upto Rs.700/- and Rs.50,000/- in respect of brands of IMFL whose basic price is above Rs.700/- for each and variety of label sought to be approved. In case of Beer the fee so payable in Rs.2.00 lakh for each variety of label. The applicant should also get the label re-approved for each excise year by paying a fee of Rs.2.00 lakh and Rs.50,000/- respectively as in the manner stated in above para. In case of Beer the fee so payable for re-approval shall be Rs.2.00 lakh for each variety of label provided that the label fee once remitted shall not be refunded or adjusted for any reason including non-issue of export permit, when once the label was approved and registered.

In case of export of IMFL to CSD each variety of label shall be approved separately after collecting a non-refundable fee of Rs.2.00 lakh and Rs.50,000/- as stated in para supra. In case of Beer the fee so payable is Rs.2.00 lakh for each variety of label. And in case of Wine. Either Grape or fruit based which contains 42% of proof spirit, the fee shall be Rs.10,000/-.

The application shall be accompanied by an import permit granted by the excise authority of the State to which the liquor has to be exported alongwith a court fee stamp or requisite value. On receipt of an application, the Commissioner of Prohibition & Excise may after enquiry and upon satisfaction that the excise duty at the rates in force for the IMFL proposed to be exported has been paid or furnished a suitable bank guarantee from a Schedule Bank situated in Andhra Pradesh, issue the export permit.

The exporter shall obtain a verification report from the Prohibition and Excise Officer at the destination of the consignment and furnish it to the authority who issued the export permit, within twenty one days after expiry of the validity of the export permit, failing which the excise duty paid, shall accrue to the Government or the Bank guarantee furnished shall be invoked and encashed amount adjusted towards Government revenue. If the Officer in-charge of the importing State makes a report of short receipt in the consignment in his verification report, the export permit issuing authorities of exporting State shall collect Excise duty at the prevailing rate on short receipt of consignment. If the duty is not paid within three days, the same may be collected by invoking the Bank Guarantee before issuing fresh permit. The export of liquor shall be from and to any particular place or premises and through the route mentioned in the export permit. The consignment of liquor shall not be disposed of in transit or exported otherwise than authorized in the export permit. If the permit holder has to export consignments at different places, separate export permits shall be obtained therefor. It shall be ensured that the applicant has paid and produced original challan in token of having credited into the Government

treasury export fee @ Rs.2/- per bulk litre in respect of Beer, Cider, Ale, Stout, Proter or other fermented liquor, Malt, Spirit/Grape Spirit any other IMFL as the case may be.

The export shall be done only through the APBCL which has been vested with exclusive privilege of export.

6.34 Transport Permit : Transport permit may be issued authorizing movement of IMFL and FL within the state in the following cases:

From one unit of the APBCL to another unit of the APBCL.

From the APBCL to Military Canteen Stores licence in form CS-3

From the licenced premises of Military Canteen Stores in form CS-3 to the licenced premises of Military Canteen licences in Form CS-1 and CS-2

From units of the APBCL to the licenced premises of Licenses in Forms A-4 or 2-B or C-1 or licenced premises of EP-1 or licenced premises of TD-1 and TD2 or SW-1

(5) From the Distillery/Brewery to the APBCL units.

(6) From any of the licenced premises permitted to sell IL & Fl under the Act to any of the units of APBCL or from any of the units of APBCL to a Distillery/Brewery licensed under the Act.

The applications shall be in form L-7 or L-7(B) as the case may be with a requisite value of court fee stamp and the requisite applications are to be made to the following officer who are authorised by the Commissioner of Prohibition & Excise.

one APBCL unit to another APBCL

(if they are in the same Dist) – Prohibition & Excise Superintendent.

(If they are in different Districts) _ Proh. & Excise Superintendent from which the IMFL and FL is to be transported or a Proh. & Excise Officer from which the liquor is transported.

from APBCL to licensed premises in From A-4 (by Shop) 2-B (By Bar), C-1 (Club) and CS-3 (Military Canteen Stores), TD-1 (in-house), TD-2 (Beer-pub), EP-1 and SW-1 premises – Proh. & Excise Superintendent of the Dist. or a Proh. Excise Officer.

Officer not below the rank of Assistant Prohibition & Excise Superintendent shall issue transport permit in Form L-8 on payment of excise duty duly retaining the original permit and copies endorsed to concerned to which liquor is transported.

Where the transport is from Distillery or Brewery to the APBCL or Canteen Stores, the Officer in charge will issue pass on prepayment of excise duty in Form CS-3 which shall be deemed as a Transport permit.

In case of any discrepancy in consignment shall render the transport without permit and any un-utilised permit shall be surrendered to issuing authority within 24 hours of the expiry of its validity.

The Commissioner of Prohibition & Excise may issue permit for transport of the liquor through A.P. State in Form L-8(A) after satisfying himself that the movement of the liquor is not in contravention of any law for the time being in force.

The transporter shall be liable for penalty under the provisions of the Act.

The transport permit holder shall intimate the receipt of consignment to the concerned Excise Officer in Form L-9.

Transport should be authorised.

- (1) To the authorised premises through permitted route and carry transport permit which contains vehicle number, way bill number, date of transportation etc., a consignment without these details will be viewed as unauthorised.
- (2) Separate transport permits for different premises.
- (3) the details of vehicle number, date, time of departure should be intimated in Form L 10-(A) at least one hour before actual departure.
- (4) APBCL Should submit a return in Form L-10(B) to concerned Prohibition & Excise Superintendent after despatch of each consignment.
- (5) Diversion of route due to natural calamities/breaks down of vehicle, an endorsement on the permit from concerned Prohibition & Excise Superintendent or his nominees shall be obtained.
- (6) A vehicle passing through check-post of Excise Department or CT department shall get the transport permit and way bill stamped, failure to do so shall be treated as unauthorized transportation.

A permit may be suspended, cancelled or withdrawn in accordance with the provisions of Section 31 or 32 of the Act.

6.35 Records to be maintained : (1) D.D. Register (for application fee & tender form), (2) Auction Register (attendance of auctioneers) for accounting of EMD/FDR, Bank Guarantee etc., (3) Highest Tender Bid Register, (4) Second Highest Tender Bid Register, (5) Confirmation Register (important), (6) IML (Licence & instalment register-SHO-wise), (7) Independent files, (8) E-2 Station-wise register (crime register containing 1 to 10 statements) and (9) Chitta/Challans (reconciliation registers).

6.36 Audit Checks :- 1) It should be seen in audit that all the applications are duly received alongwith DD/Challan for Rs.5,000/- non-refundable fee towards application fee. While participating in the auction the tenderers should participate alongwith DD for 1/3rd of lease amount relating to EMD/FDR/BGR portion. This amount should be noted in the auction register. The selected highest tenderer should remit the remaining 1/3rd amount of 1/6th of lease amount at auction hall itself. It should be verified that all these amounts are remitted to government through challans and reconciled before commencement of the lease year. The successful tenderer is liable to pay instalment amounts as per the scheduled due dates otherwise penal interest @ 18% should be collected for belated payments.

The Audit checks in regard to the Excise duty/countervailing duty/export fee/licence fee, etc. will consist in seeing as to whether proper licence has been taken by the licensees, whether they have paid the licence fee and have renewed them, whenever necessary, whether proper permits have been obtained for import/export and transport of Indian liquor and the Excise duty/countervailing duty (or a bank guarantee) and export fee have been paid correctly at the rates in force for the quantity imported/exported.

To this end the registers in E.S. Office/Commissioner Office may be examined with the relevant files of licences issued, permits issued, challans, etc. The reconciliation of the challans with the Treasury figures by the department has to be checked.

The verification reports of the Excise Officers may be correlated and whether any follow up action was taken by the Excise Officer, (when discrepancy is found during their verification) has also to be checked.

In case of exports, it should be ensured that the verification reports of actual arrival of consignments in the other State are received from the Excise Officer in other State.

In cases where exports were made outside the State it should be seen that verification reports are received within 25 days failing which it should be pointed out that the duty must be paid or adjusted towards bank guarantee.

CHAPTER 7

RECTIFIED SPIRIT AND DENATURED SPIRIT

7.1 Rectified Spirit means liquor containing undenatured alcohol of a strength not less than 50% overproof and includes absolute alcohol in other forms and Extra Neutral Alcohol (ENA) but does not include arrack issued in varying degrees of concentration for potable purposes vide Rule 2(K) of the Andhra Pradesh Rectified Spirit Rules 1971. Denatured spirit is rectified spirit rendered unfit for human consumption by addition to it denaturants like Ethyl Formate, Ethyl Ether, Ethyl Chloroform etc. Rectified Spirit and denatured spirit are required for bonafide medical, scientific, educational, research and industrial purposes. Rectified spirit is required for production of Arrack also.

7.2 The use of rectified spirit and denatured spirit and the issue of licences therefore are governed by the following rules.

- (1) The Andhra Pradesh Rectified Spirit Rules, 1971 (G.O.Ms.No. 1079 Revenue (E) Department., dated 27-10-71).
- (2) The Andhra Pradesh Denatured and Denatured Spirituous Preparations Rules 1971 (G.O.Ms.No. 336 Revenue (E) Department., dated 24-3-1971).

Licences have been prescribed under the Rules for use of Rectified spirit and denatured spirit for bonafide medical, scientific, educational research and industrial purposes. Denatured spirit is used by Industries for manufacture of French polish, metal polish, soaps and as a solvent in the processing of certain industrial products.

While possession of denatured spirit, methylated spirit methyl alcohol upto 3 bulk litres by any one is permitted without a licence, the possession of Rectified Spirit in any quantity requires a licence (Methylated spirit and methyl Alcohol are defined in Rule 2 of A.P.Denatured Spirituous Preparations Rules).

Rectified Spirit-categories of licences- Under the Andhra Pradesh Rectified Spirit Rules, 1971, the following categories of licences are given.

Sl. No	Category of Licences	Nature of licence	Annual licence fee	Authority competent to give the licence	Account to be maintained
1.	R.S.I.Rules 5 of R.S.Rules	For possession of Rectified Spirit for any bonafied medical purposes.	Rs.10/-	Prohibition and Excise Commissioner.	R.G.II and III.
2.	R.S.II Rules 6 of R.S.Rules.	For possession and use of Rectified Spirit for Medical, Scientific, Educational Research and Laboratory purposes.	Rs.25/-	Prohibition and Excise Superintendent (Commissioners powers were delegated to the PES vide Cr.N.20056/Ex/70/B2 dt. 23-11-71).	---Do----
3.	R.S.III Rules 10 of R.S.Rules	For possession and use of R.S.for industrail purposes.	Rs.500/-	Prohibition and Excise Commissioner	----Do-----

The licensees at items 2 and 3 above have to execute an counterpart agreement in Form R.S.IV undertaking to pay the excise duty and to observe the provisions of the Act and the rules, etc., made thereunder and the conditions of licence, such as maintenance of accounts, etc. The important conditions of R.S.III licence are as follows:

(1) As per condition 6, in Form R.S.III, actual shortage not exceeding 1/2% towards the storage loss shall be allowed on the total quantity of R.S. handled in a year under the licence. No other allowance towards wastages or manufacture shall be allowed.

(2) As per condition 9, the licensee shall pay money at the prescribed rate for each day of the visit of the local Sub-Inspector of Excise for release of rectified spirit and supervision of manufactures. The amount is to be credited into the treasury for credit to "State Excise".

(3) As per condition 13, the licensee has to maintain the registers and accounts mentioned therein, viz.(1) Register of indent for alcohol in Form R.G.I (2) Register of transactions in rectified spirit (Form R.G.II) and (3) Register of operations in the manufacture (in form R.G.III).

The above mentioned licences are issued for a period of one year commencing from October and ending in the following September.

General conditions for R.S.III licences and permits

(1) Under Rule 13(1)(a) of R.S.Rules, 1971, an applicant for licence should deposit as security for the fulfilment of all the conditions of the licence, an amount fixed by Government from time to time.

(2) Rectified spirit can be imported only under the permits issued by the Prohibition and Excise Commissioner vide Rule 14 (i) *ibid*.

(3) Rectified Spirit can be exported only under permits issued by the Prohibition and Excise Commissioner. The applicant shall also pay an export permit fee fixed by Government and also pay the excise duty on the quantity covered by the consignment vide Rule 15 (1), 15(3) (i) and (ii) *ibid*.

(4) If the licensee or permit-holder is guilty of the breach of any rules he is liable for punishment, which can be compounded vide Rule 18(I) *ibid*.

(5) The licence is to be renewed at least one month before the commencement of the year for which the renewal is required. The applicant shall pay the prescribed fee and enclose the original challan to the application vide Rule 20(1) & (2) *ibid*.

(6) Licence shall be granted or renewed to the concerned applicant only and can not be transferred. If the licensee sells or transfers his business, the purchaser should take a fresh licence after making the payment of the fee again vide Rule 24(i) and (ii) *ibid*.

(7) The licensee should maintain accounts particularly in Form R.G.2 and 3 and render other periodical returns vide Rule 33 *ibid*.

7.4 Concessional Rates of Duties on Rectified Spirit - Concessional duty at the rates fixed by Government from time to time is levied on Rectified Spirit supplied for Industrial purposes. This will apply to such industries where:

(1) Alcohol is destroyed or converted chemically into other products and the end-product does not contain any alcohol; and

(2) Alcohol is used as solvent or a processing agent and the end-product does not contain any alcohol.

In all other cases the full excise duty is leviable on alcohol or Rectified Spirit supplied to those industries in which alcohol appears in the final product to some extent whether or not such a product is capable of being used or misused as an intoxicant vide G.O.Ms.No.1046 (Revenue Department) dated 14-10-1968. The full excise duty at the rate fixed from time to time per proof litre is collected on rectified spirit issued for bonafide medical, scientific, educational, research and laboratory purposes and on rectified spirit supplied for bonafide medicinal dispensing purposes-(vide G.O.Ms.No.1025, dated 30-9-1968).

The concessional rate is subject to the condition that is applicable only in respect of rectified spirit manufactured or produced in the state and sold for bonafide industrial use and actually utilised for industrial purposes. Any loss, wastage, or other deficit or misuse is liable to the excise duty at the normal rate. The countervailing duty on the rectified spirit manufactured, or produced elsewhere in India and imported into the State for bonafide industrial use is levied at the rates fixed by Government from time to time. It is also subject to the condition that the rectified spirit is actually utilised for the industrial purposes and any loss, wastage, deficit or misuse is liable for tax at the normal rate.

The Prohibition and Excise Superintendent will issue permits for transport of rectified spirit from a warehouse or a distillery within the State in the licenced premises of the transporter. The Excise Commissioner grants permits for import of Rectified Spirit from outside the State. The Excise duty is levied on imported rectified spirit also at the same rates as mentioned above. Indian Liquor Manufacturers of potable liquors are permitted to lift rectified spirit on submission of bank guarantee to cover the countervailing duty. They have to execute a personal bond indemnifying Government against all losses at the normal rate exceeding the admissible limit of 0.5% towards transit wastages.

The Prohibition and Excise Commissioner grants permit for export of rectified spirit by the distilleries in the State to places outside the State on payment of export permit fee.

7.5 Denatured Spirit-category of Licences:- Under the Andhra Pradesh Denatured Spirit and Denatured Spirituous Preparations Rules. 1971, the categories of licences issued are DS VII, DS IX, DS XI, DS XIA, XIII and DS XIV. The rules relating to the issue of these licences and the accounts to be maintained by the licensees and the fees payable are contained in Rule 10-14 of the AP Denatured Spirit and Denatured Spirituous Preparations Rules 1971.

The above mentioned licences are issued for a period of one year commencing from October, and ending in the following September.

A gallonage fee at the rates fixed by the Government is leviable per bulk litre purchases by the licensee as fee for purchase of the right of monopoly of Government for possession of denatured spirit (Vide Rule 3 of the Rules *ibid*).

A gallonage fee at the rates fixed by the Government is leviable per bulk litre of denatured Spirit, methylated spirit and menthyl alcohol from outside the State of Andhra Pradesh after collecting import pass fee at the rate prescribed by the Government.

The Prohibition and Excise Commissioner issues permits for export of denatured spirit by the distilleries in the State to areas outside the State on payment of export pass fee.

The export permit will be issued on a no objection certificate to be furnished from the importing state excise authority.

Apart from fixing the rate of excise duty the price of rectified spirit conforming to I.S.I. standard is also fixed by the Government from time to time under the Ethyl Alcohol Price Control Order 1971.

7.6. Audit Checks:- The Audit checks will mainly consist in seeing that the rectified spirit and denatured spirit licences have been issued or renewed after payment of the prescribed licences fees and application fees, etc., and that no alcohol is contained in the end products and, if contained, duty for alcohol has been paid at the full rates as per analysis reports and records maintained, and that the production had been closely supervised by the Officers of the Excise Department.

The more important duty of audit is, however, the check of the accounts maintained by the licensees and Prohibition and Excise Officers as prescribed in the foregoing rules.

CHAPTER – 8
THE ANDHRA PRADESH BREWERY RULES, 2006

8.1 “Brewery” means a building where Beer is manufactured, stored or issued.

8.2 These rules may be called the Andhra Pradesh Brewery Rules, 2006 and extended to all the areas where the Andhra Pradesh Excise Act, 1968 is in force. They shall come into force from the date of issue G.O.Ms.No.92, Revenue (Excise-III), dated 27th January 2007.

The Andhra Pradesh Brewery Rules 1970 shall cease to operate on the commencement of these rules.

8.3 Definitions:

(1) “Act” means the A.P. Excise Act, 1968.

(2) “Brewery” means a manufactory where beer is manufactured and includes every place where beer is stored or issued.

(3) “Beer” includes ale, stout, porter and all other fermented liquors usually made from malt.

(4) “Vessel” in which worts are fermented by action of yeast is called Fermenting Vessel, whereas Mashtum means any vessel in which malt or grain is exhausted in the course of brewing.

(5) “Brewery Officer” means an Excise Officer appointed by the Commissioner to be in-charge of a Brewery and includes Assistant Brewery Officer.

(6) “Maximum Retail Price (MRP)” means the price to be indicated by the Andhra Pradesh Beverages Corporation Limited or any other agency authorized by the Government for declaration on in each variety of Label by the Brewers as required under Section 39 of the Standards of Weights and Measures Act, 1976.

Procedure for obtaining the licence from Government :

8.3 A notification shall be issued or withdrawn by the Government separately from time to time for grant of Letter of Intent for establishment of any new Brewery or expansion of the production capacity of an existing Brewery. Licence shall be granted, if the same is notified and sanctioned under Sub-rules (1) and (2) of Rule 3 and sanctioned under Rule 4(2)© of these rules.

A holder of letter of intent fails to obtain a licence within a period of six months from the date of issue of letter of intent, he ceases to have any right on the letter of intent or fails to commence production within two and half years from the date of issue of letter of intent, he forfeits his right over letter of intent and on the licence.

On notification by the Government, a person who intended to construct and work such a Brewery or expand the production capacity of the existing Brewery should apply in Form-B (1) alongwith scheme to Government through Commissioner enclosing the challan in original in support of payment of a non-refundable and non-adjustable fee paid into Government treasury as specified below:

Annual Production capacity of the proposed Brewery	Non-refundable and non-adjustable Fee
Upto 200 lakh Bulk Litres	Rupees One Crore
Above 200 Lakh Bulk Litres	Rupees One Crore Twenty Five Lakh.

A special fee as specified below shall also be paid into Government treasury and the challan in original in support of payment is produced alongwith application.

Annual Production capacity of the proposed Brewery	Special fee
Upto 200 lakh Bulk Litres	Rupees One Crore
Above 200 Lakh Bulk Litres	Rupees One Crore Twenty Five Lakhs.

8.5 Grant of Licence:

The holder of letter of intent shall obtain licence from the Commissioner, within six months from the date of sanction of the Government. Applicant has to deposit an amount of Rs.5,00,000 in the shape of a cash deposit or fixed deposit receipt or Bank guarantee from any scheduled bank situated in Andhra Pradesh as a security for fulfillment of all the conditions of licence and enter into a counterpart agreement in Form-B(1)(C) for grant of licence. The licence fee for a new Brewery shall be Rs.1,00,000/- per annum till the commencement of production or expiry of two and half years period from the issue of letter of intent which ever is earlier.

8.6 In case the licensee fails to construct or expand and work the brewery before expiry of two and half years from the date of letter of intent, the new licence or the expansion sanction shall be liable for cancellation without compensation for any damage or loss.

8.7 Licence Fee Structure :

- (1) The Government shall fix the Production capacity of the Brewery.
- (2) The capacity of the equipment and devices for bottling of Beer shall be according to the production capacity as fixed for the Brewery and shall be as per the specifications and norms as may be prescribed by the Commissioner from time to time.
- (3) The annual licence fee shall be fixed by the Commissioner basing on the production capacity in accordance with the licence fee structure prescribed under:

Annual Production capacity	Annual Licence fee
1. Upto 200 lakh Bulk Litres	Rs.50,00,000
2. For every additional 100 lakh BIs or part thereof	Rs.25,00,000

Provided that the production capacity once fixed shall not be reduced under any circumstances.

Provided further that in case of new licence, as granted under Rule 5(4)(a) the licensee commences manufacture from such date specified therein and the licence fee shall be paid as prescribed under sub rule (3) proportionately on the production capacity for the remaining period of licence.

Provided also that in case of expansion granted under Rule 5(4)(c) the licensee shall pay the licence fee as prescribed under sub rule (3) proportionately from the date of erection of expanded capacity for the remaining period of licence.

If the licensed production capacity is fully utilized by the licensee before the completion of licensed year and desired to have additional production during the remaining part of the licence year, the licensee is required to pay the additional licence fee on such additional production at the rate of 0.50 paise (fifty paise only) per bulk litre of additional production after permission from the Government for such additional production over and above the fixed production.

8.8 Renewal of Licence :

Licence shall ordinarily be for a period of one year from the date as specified therein. The licensee shall get his licence renewed before the commencement of the Licence Year, by paying the licence fee as prescribed in rule 7. If the licensee fails to apply for renewal, he shall pay the licence fee alongwith late fee specified below for renewal of his licence.

Period	Late Fee
(1) Within six months from the date of commencement of licence year	5% of the Annual Licence Fee
(2) After six months from the date of commencement of Licence year.	10% of the Annual Licence Fee

Provided, if the licensee does not apply for renewal of licence within the licence year, he shall pay the annual licence fee for the entire period for which he does not have his licence renewed alongwith the late fee as specified above, subject to the condition laid down in sub-rule (7). The right of the licensee to get his licence renewed stands forfeited if the licence is not renewed continuously for a period of 3 years.

8.9 Excise Duty :

- (1) The Excise duty shall be paid at such rates as may be specified by the Government.
- (2) The licensee shall execute an agreement binding himself, his heirs, legal representatives and assignees to observe the conditions of licence, hypothecating the buildings, machinery, apparatus together with the stock as security for the payment of money, which may be due to the Government.

8.10 Sub-Leasing of Brewery:

The Commissioner may, on application made in Form-B1 (SL) by the holder of a licence, permit sub-leasing the whole of the licensed capacity of such brewery to the proposed sub-lessee. A sub-lease fee of sum equal to 10% of the annual licence fee is to be remitted into Government treasury. The licensee shall also has to keep a security deposit of an amount equal to 15% of the annual licence fee of the brewery in the shape of Fixed Deposit Receipt or Bank Guarantee issued by any scheduled Bank situated in A.P.in the name of Commissioner. The sub-lease permitted shall be for a period of one year or part thereof and such sub-lease holder shall not have any claim for renewal of such sub-lease. If the original licence is suspended or cancelled for any reasons, the sub-lease shall also stand automatically suspended or cancelled as the case may be. The sub-lease granted under Rule 10(1) is not transferable.

8.11 Shifting of Existing Brewery:

- (1) Where the management of a Brewery intends to shift the Brewery from the place to another place, it shall notify the same to the Commissioner by an application in Form-B3 after remitting an amount of Rs.2.00 lakhs in the Government treasury and enclose the challan in original in support of payment alongwith the application.
- (2) On receipt of such an application the Commissioner if satisfied, may obtain such undertaking or Bond and such other material or documents to protect the interest of the Government as he may deem fit, may grant such permission after obtaining the orders from Government for the shifting of the Brewery.

8.12 Change or Alteration of Licence :

- (1) Transfer of Licence: Sanction of the Commissioner for transfer of licence to any other person is essential. When there are only two partners in the firm holding the licence and one of them withdraws or expire the entity of firm changes from partnership to proprietary and it amounts to transfer of licence. The Commissioner may allow such transfer of licence on payment of prescribed fee of Rs.2.00 lakh and on obtaining such undertaking or Bond and such other material or documents to protect the interest of the Government as he may deem fit. Where there is a change of 50% or more partners, it shall be construed as complete change in the ownership, a fee amounting to 10% of the licence fee shall be paid.
- (2) Inclusion or exclusion of partners : For inclusion of any person as a partner to business or get an existing partner excluded, prior permission of the licensing authority is essential.
- (3) Death of licensee or incapability of the licensee : Legal heirs of the deceased may apply for continuance of the licence in their name to the Commissioner within thirty days of death of the licensee.
- (4) Merger of licence : When two or more existing Breweries desire to merge into one Brewery may apply to the Commissioner in Form-B3(M) alongwith a challan for Rs.2.00 lakh.

8.13 Labelling of Beer Bottles :

- (2) The licensee shall label each bottle after bottling with a label printed in English or Telugu Language showing the name of the licensed Brewery and the place where the bottling is done.
- (3) The labels shall be affixed to the liquor bottles only after such labels are approved by the Commissioner.

8.14 Approval of Labels:

The licensee shall submit an application in Form-B4 to the Commissioner and shall enclose with ten copies of each variety of label sought to be approved. The licensee has to remit the label approval fee of Rs.2,00,000 and the challan in support of the payment is produced with the application. In case of supply of Beer to Canteen Stores Department, each variety of labels shall be approved separately after collecting a non-refundable fee of Rs.2,00,000/-. The label shall be re-approved for each Excise year after collecting the same fee applicable for approval. The label fee once remitted and the label was duly approved it shall not be refunded or adjusted for any reason including withdrawal or cancellation of rate contract by the Andhra Pradesh Beverages Corporation Limited or non-issue of purchase orders.

8.15 Removal of Beer:

Beer manufactured or stored otherwise than that under bond shall be removed only after payment of Excise Duty as specified in Rule 9(a) as specified by the Commissioner from time to time. No Beer shall be issued in quantities of less than 30 litres. On payment of Excise Duty, a transport permit for removal of Beer shall be issued by the Excise Officer in-charge of the unit. The licensee requires Beer for the use in the laboratory attached to the Brewery, he shall be entitled to remove it to the laboratory without payment of any excise duty, to the extent of 5 liters per month.

8.16 The Brewery Excise Officer is responsible to see that no loss is caused to Government and, for this purpose, his supervision should be continuous from the manufacturing stage to the sales stage. All the produce in mash-tuns and fermenting vessels shall be gauged and measured and noted. The licensee will keep a brewing book in Form B-3, make necessary entries therein and send notice of his intention to brew 48 hours before such brewing takes place. The Excise Officer will take to account the produce and works or grains mixed during the process of brewing.

The duty on beer at the specified rate shall be charged on the total quantity actually brewed as entered in the brewing book by the licensee or as ascertained and accounted for by the Excise Officer, whichever is higher, less an allowance to 10% for wastage. The duty on Beer shall become due immediately after the account of brewing has been taken by the Excise Officer or at the end of each month, whichever is latter and the time for its payment shall not be late than the fifteenth day succeeding the month in which the duty was charged, provided that no stock of beer shall be removed from the brewery, except on prepayment of duty specified in Rule 7 and under a valid indent lawfully issued in Form B-4. If the duty payable by the licensee remains unpaid beyond the period specified in this regard the sum guaranteed by the Bank, and either the whole or any part of the security deposit furnished by him will be forfeited to Government by the Commissioner.

8.17 Registers to be Maintained:

The following registers are to be maintained in a Brewery:

(1) Raw material Stock registers, (2) Brew Account Register, (3) Bright Beer Stock Account (Tank-wise), (4) Bottling operations Register, (5) Brand wise stock Register, (6) Consolidated stock Register of finished stock, (7) Issues Register, (8) Draught Beer Issue Registers, (9) Sample Register, (10) Purchase order Register, (11) Brewery Gate pass Register, (12) Excise duty Register and (13) Reconciliation of remittances Register.

8.18 Audit Checks: The B3 and B4 register/file should be checked in audit alongwith other registers and records maintained by the Excise Officer in charge of Brewery.

In audit, it should be seen that the Excise duty has been fully paid on the quantity of production as entered in the account books. No excess over 10% for wastage should normally be permitted and in case the excess is over 10%, duty on such excess should be realized. All the other audit checks similar to those required to be carried out in the case of I.M.F.L. Distilleries should also be carried out in this case. It should be seen that the Excise Officer-in-charge of the Brewery verifies the correctness of the challans received by reconciling the figures with those of the Treasury.

CHAPTER – 9 TODDY POLICY

9.1 Toddy is juice extracted from Palmyrah tree. However, in a wider sense it refers to fermented or unfermented juice containing alcohol drawn from coconut, palm or date begani Sago, Sendhi or any of the Spices of palm or palmyrah tree.

9.2 Production, distribution and sale of toddy is controlled by the Government. Toddy is extracted from the trees. The Commissioner of Prohibition & Excise is empowered to grant the lease of right to sell in retail toddy through the Toddy Co-operative Societies/Tree For Tappers Scheme shops.

The Andhra Pradesh Excise (Grant of Licence to Sell Toddy, Conditions of Licence and Tapping of Excise Trees) Rules, 2007

9.3 Preliminary :

Government in G.O.Ms.No.1228, Revenue (Ex-II) Department, dated 19.09.2007 have issued new rules called the A.P. Excise (Grant of Licence to Sell Toddy, Conditions of Licence and Tapping of Excise Trees) Rules, 2007. These rules will come into force with effect from 20.09.2007. The existing rules pertaining to Toddy/Arrack cease to operate with effect from 01.10.2007 and all the licences issued to Toddy Shops under old rules and in pursuance of policies issued from time to time as indicated below cease to be in-force with effect from 01.10.2007 vide G.O.Ms.No.1229, Revenue (Ex.II) Department, dated 19.09.2007.

Notification : Where it is proposed to grant the licence for sale of toddy to TCS/TFT, a notification shall be published by the District Collector in the District Gazette.

The District Collector shall ascertain from the field i.e. the Prohibition and Excise Superintendent that the availability of excise trees (within 50 KMs. as specified in Rule 3(2)) such as species, number, Survey Number, Village details etc. On the basis of the same, the toddy shop proposals in Form-A & B statements giving all the details alongwith proposal for new shops depending upon the requirement, availability of trees within 50 Kms. should be taken into consideration. While proposing the new shops, preference shall be given to TFTs. New TFTs shall be proposed only in rural areas and a minimum distance of 2 KMs. to an already existing shop shall be observed while proposing New Toddy Shop.

As far as possible, there shall be one Society for one village and one shop for one Society. Splitting and bifurcation of existing toddy shoppers co-operative society, groups are permitted wherever warranted subject to the provisions of A.P. Co-operative Societies Act 1964, and rules made thereunder.

Whenever a TCS is constituted, such a society shall have a minimum of 80% of tappers as defined in the rules. The TCS may give a self certification to such tappers.

The existing rate per tree i.e. Not exceeding Rs.50/- per tree in urban areas and not exceeding Rs.25/- per tree in rural areas shall be continued as per the Government Order.

In case of new TCS/TFT the following procedure shall be followed for fixation of Annual rental.

A. TCS :

1. Rural Shops : Mandal Average rate per Tree or District average rate per tree whichever is higher (not exceeding Rs.25/- per tree.) multiplied by ration in terms of date Trees.

2. Urban Shops : Mandal Average rate per Tree or District average rate per tree whichever is higher (not exceeding Rs.50/- per tree.) multiplied by ration in terms of date Trees.

C. TFTs. :

Mandal Average Rate (Rural Shops) per tree or District average rate per tree whichever is higher (not exceeding Rs.25/- per tree.) multiplied by ration in terms of date Trees.

TFT can be proposed with minimum of one tapper as per Rules who is able to climb excise tree and prepare proper rough and smooth face and tap it.

9.4 Definitions :

- (i) “Act” means the A.P. Excise Act 1968.
- (ii) “Excise Tree” includes the tree of mohwa, coconut, palm, palmyrah, date, bagani, sago, sendhi or any tree of the species of palm or palmyrah from the fermented or unfermented juice of which toddy or liquor can be prepared.
- (iii) “Excise year” means the period of twelve months commencing from the 1st October of the year and ending with the 30th September of the succeeding year.
- (iv) “Licence” means a licence granted for the tapping of excise trees or drawing of toddy there from or the sale of toddy in retail under the Act and the term ‘Licensee’ means the holder of such licence.
- (v) Licence period means period of five (5) excise years or part there of commencing from the 1st October of the excise year or from the date of grant of licence during the first year of the five year Licence period ending with the 30th September of the Fifth consecutive excise year.
- (vi) “Incidental tapper” means the person incidental to tapping, sale of toddy and includes disabled tapper, professional tapper who is above 65 years of age and widow of a tapper who died while engaged in tapping.
- (vii) “Licenced Premises” means any specified place and premises where toddy is authorized to be stored and sold on a licence issued by the competent authority of the State Government;
- (viii) “Neera” means the juice known as sweet toddy drawn from excise trees into receptacles and treated so as to prevent fermentation.
- (ix) “Rental” means the annual rental which includes tree tax payable for a shop or group of shops as part of sum in consideration of the grant of Licence payable under Section 23 read with Section 17 of the Act.
- (x) “Toddy” means fermented or unfermented juice drawn from an excise tree containing alcohol.
- (xi) “Tapper” means a person who is a major and engaged in the profession of tapping and who can climb and draw toddy from an excise tree.
- (xii) “Toddy Co-operative Society” means a society formed as per the provisions of the Andhra Pradesh Co-operative Societies Act, 1964 consisting of not less than 80% of the tappers as

defined in clause (xi) above, and not exceeding 15% of persons incidental to tapping and sale of toddy and not exceeding 5% of the following categories;-

- a) Disabled Tappers;
- b) Professional tappers who are above 65 years of age; and
- c) Widows of tappers who died while engaged in tapping;

(xiii) “Tree owner’s rent” means the sum payable as rent under Section 26 of the Act.

(xiv) “Tree Tax” means the duty leviable under Section 22 of the Act as tax on excise trees from which toddy is drawn.

(xv) “Dry Days” means the days declared as dry days and the licenced premises shall be closed and no business transacted on the following days.

- (a) 26th January (Republic Day), (b) 15th August (Independence Day), (c) 2nd October (Gandhi Jayanthi)

Provided that the licensee shall not be entitled to any compensation whatsoever for the closure of the licensed premises.

9.5 Grant of Licence :

Under the provisions of Rule 3(1), the right to sell toddy shall ordinarily be granted by assigning the Toddy Shops to “Tappers Co-operative Society” or to individual tappers under “Tree for Tappers Scheme”. The licence shall be for a period of five excise years.

- (i) Provided that where the Commissioner considers it necessary to grant the Licence for selling toddy in any other manner he shall do so with the prior approval of the Government.
- (ii) Provided further that the Toddy shops in Scheduled areas shall be assigned to Schedule Tribes only.

As per Rule 3(2), the Commissioner shall be competent before the publication of the notification under Rule 4 having due regard to requirement, Public Order, health, safety, availability of trees in topes within 50 KMs. from the area of the shop and other factors as he thinks fit, to fix the number of toddy shops to be established in an area, their location, assignment of trees for tapping.

“Area” means the Village, Town, Municipality or Municipal Corporation. The specified distance to the tope shall be measured from the location of the proposed shop in the area along the nearest motorable road.

9.6 Formalities to be completed by TCS/TFT Scheme :

Where a toddy shop is allotted to a Tappers Co-operative Society, the society shall pay 10% of the annual rental as earnest money together with one month rental, on or before the date prescribed for completion of formalities. The society shall also be required to execute a counter part agreement in conformity with the tenor of the licence in Form TS-2 on a requisite value stamp paper.

9.7 Licence for sale of Toddy :

The licence for the sale of toddy granted to a Tappers Co-operative Society or to a tapper under “Tree for Tappers” scheme, shall not take effect until the society or the tapper, as the case may be, obtains a licence after completing the formalities.

Every application for the grant of licence for sale of toddy shall be accompanied by a treasury challan for fifty rupees as licence fee for issue of licence. The boundaries of the toddy shop premises shall be indicated in the licence. The top/area alongwith Number of trees allotted to shop shall be indicated in the licence.

The Prohibition and Excise Superintendents may grant B shop licence as a satellite shop to the existing shop subject to condition that the B Shop shall be within 2 KMs from the main shop and it shall be 2 KMs away from other neighbouring toddy shop.

9.8 Fixation of Rental :-

- (i) The rental for TCS or tapper under “Tree for Tappers” scheme shall be arrived at by multiplying the rate per tree with the ration in terms of Dates.
- (ii) The Government may notify the maximum rate per tree separately in Rural areas and in urban areas from time to time. The rate per tree includes tree tax.
- (iii) The method of arriving rate per tree shall be communicated by the Commissioner from time to time.
- (iv) The Prob. & Excise Superintendent will fix the rental of the shop accordingly.

Payment of Rental :-

- (1) The Toddy Co-operative Society or tapper under Tree for Tappers Scheme shall remit the annual rental fixed for the shop or group in twelve equal monthly installments commencing from October or from such other dates as the Government may specify in this regard.
- (2) Rental of the shop shall be remitted by the Licensee into the Government Treasury of the Mandal/District in which the shop is situated and the receipted Xerox copy of challan submitted to the Prohibition & Excise Officer concerned. Payment of monthly rental shall start from the month of October of every excise year. The monthly rental shall be remitted by 20th of the month, if due date or the next day of the due date happens to be a holiday, the rental shall be remitted on the next working day. In case the monthly rental is not remitted by the due date the licence shall be liable for suspension or cancellation after giving an opportunity to the holder thereof of making his representation within seven days against the action proposed.
- (3) In the case of tapping of an excise tree or drawing toddy from any such tree without remitting the rentals by due date, his licence is liable for suspension or cancellation.

9.10 Renewal of Licence :

In the case of Licence granted to TCS or individual tapper under Tree for Tapper Scheme for retail sale of toddy, such licence may be renewed after expiry of the period of licence for a further period of five years. The licensee shall, however, observe all other conditions that are existing and those that may be prescribed by the Commissioner in this regard from time to time.

9.11 Licence to be surrendered to the licensing authority on expiry :

Every licence granted under these rules shall be deemed to have been granted either jointly or severally to the Licensees named therein, and shall on its expiry, be surrendered by the Licensee to the licensing authority.

9.12 Death of TFT Licensee :

In the case of death of licensee of a TFT, the legal heir of the deceased licensee, if he so desires he may be permitted to continue the licence if he is eligible to hold the TFT licence.

9.13 Adjustment of earnest money and deposits :

The earnest money and deposits made by TCS at the time of grant of licence shall be adjusted towards the rentals of the last month(s) of the licence period, subject to the condition that the Licensee is not in arrears of rentals or other amounts payable as on the date of adjustment.

9.14 Tree Tax and Tree Owners Rent :

Tree tax and Tree Owner's rent shall be at the following rates :

Variety of Excise Tree	Tree Tax (in Rs.)	Tree Owners Rent per tree (in Rs.)
Sendhi (Date)	15.00	15.00
Palmyrah (Toddy)	18.00	18.00
Date Palm (Khajoor)	28.00	28.00
Sago	34.00	34.00
Coconut	28.00	28.00

The tree tax shall be included in the Rate per Tree and Tree Tax is not collected separately but the licensee shall pay separately tree owners rent to the owner or other person in possession of the Excise Tree. Provided that no tree owner's rent shall be collected in respect of excise tree standing on Government lands and allotted to Tappers Co-operative Societies and to individual tappers under "Tree for Tappers Scheme".

9.15 Payment of Tree Owner's Rent :

The Licensee shall pay the rent prescribed in sub rule (1) direct to the tree owner or other person in possession of excise trees, and obtain receipt in triplicate therefor, duly attested by the Village Assistant or Panchayath Secretary.

9.16 Suspension of licence :

In case of default of any dues by a Licensee, the licence may be suspended. The suspension of the licence may be revoked if the defaulter pay the entire dues.

9.17 Cancellation of Licence :

In case of cancellation of licence for default of payment of any dues, the order of cancellation of licence of the shop(s) may be revoked by the Collector after satisfying himself that the defaulter has paid the entire dues together with interest payable thereon as per rules.

Provided :

- (i) if the license of toddy shop of TCS is found indulging in adulteration, for the first time, the members of managing committee will be disqualified and removed from the primary membership and the society may be continued with eligible tapper/members by imposing fine as prescribed by the Commissioner of Prohibition & Excise.
- (ii) If the licensee of toddy shop of a TCS is found indulging in adulteration for Second time the toddy shop licence shall be cancelled after following due procedure. In case there are any eligible tappers in such society after cancellation of shop license of TCS, licenses may be granted under tree for tapper scheme and the members of the managing committee will be disqualified in getting any license under these rules. In case of Tree for tapper scheme, when a license is cancelled due to adulteration, the tapper shall be disqualified in getting a licence in future or becoming a member of any Tappers Co-operative Society.

9.18 Forfeiture of deposits :

Where a licence is cancelled, for violation of licence conditions or due to adulteration, the deposit and earnest money made by the licensee may be forfeited to Government either in whole or in part.

9.19 Recovery of sums due to Government :

Without prejudice to any other mode of recovery, all moneys due from a Licensee to the Government may be deducted from the deposit amount or earnest money, if it has not been already forfeited to Government. In the event of deduction from the deposit or earnest money, the licensee shall be bound to replenish the deposit or earnest money to the extent of the deduction within fifteen (15) days of notice to that effect served on him by the Prohibition & Excise Superintendent.

9.20 Shifting of Shops/Depots :

The Licensee shall not shift the Shop/Depots from one place to another within the notified area during the currency of the licence. In special circumstances, the Commissioner or any officer authorised by him in this behalf may permit such shifting after collecting Rs.250/- as shifting fee.

9.21 Licensee not entitled to claim compensation :

Where a licence is withdrawn or a shop is ordered to be closed by or under provisions of the Act, otherwise than by cancellation or suspension, no demand of rental or for the period during which it was withdrawn or shop is closed, as the case may be made. The Licensee shall have no right to claim any damage or compensation on that account except to the refund of the proportionate licence fee.

9.22 Allotment of Excise Trees :

Every Licensee who sells toddy shall be allotted a specified number of excise trees not less than (30) trees per tapper in terms of dates of tapping and drawing of toddy there from, for supply to his shop;

Provided :

- (i) in case of allotment of both sendhi and toddy trees to a tapper, conversion formula of 3 toddy trees as being equal to (4) sendhi trees and one coconut tree as being equal to 2 toddy trees shall be followed for this purpose.
- (ii) It shall be the duty of the Licensee to ascertain as to the availability of trees allotted to the shop and where any shortage in the number of trees available for tapping out of the trees allotted to the shop is noticed by the Prohibition & Excise Superintendent or the Deputy Commissioner as the case may be, he shall allot excise trees to make up the shortage on being pointed out by the Licensee, but no remission of rentals shall be entertained in lieu thereof.

The Licensee shall tap not less than 75% of the trees allotted for the shop regularly. He shall ensure that toddy is available in the shop every day for sale. If he fails to do so the Licence shall be liable for cancellation.

Excise trees in excess of the quota shall not ordinarily be allotted during the course of the year. The Collector within the concerned District and Deputy Commissioner of Prohibition & Excise within the Division subject to availability of trees may, in special circumstances, allot extra trees after collecting rate per tree on the extra trees allotted to the TCS and TTS subject to a maximum of 160 sendhi trees or 48 toddy trees per member who is actually engaged in tapping.

9.23 Transport and Stock of toddy in excess of permissible quantity prohibited :

The Licensee shall not transport toddy more than 10% in excess of the entitled quantity. If toddy is found in excess of this limit at the time of inspection, the excess quantity shall be confiscated to Government and released in favour the Licensee on payment of its cost which shall be determined in accordance with prevailing retail price, if found fit for consumption or otherwise it shall be destroyed under panchanama.

The Licensee shall not keep either at the Depot or shop, toddy more than 10% in excess of the toddy drawn from the excise trees meant for the shop(s). Toddy found fit for consumption and in excess of this limit at the time of inspection, shall be confiscated to Government and released in favour of the Licensee on payment of the cost, which shall be determined in accordance with prevailing retail price, if found fit for consumption or otherwise it shall be destroyed under panchanama.

9.24 Records to be maintained :

A Khata or Demand, Collection, Balance (D.C.B) Register will be maintained in the Prohibition & Excise Superintendent's Office to watch the realization of monthly rentals. The monthly rentals are credited through challans. The demand is independently worked out from the particulars available in the rental register and other connected records like challan register, register of fines and penalties etc. So also the records of the Circle Inspector (Executive Staff) will indicate the present position and the stage of action taken to realise the revenue representing rentals fines and penalties, Tree Tax, Tree Owners Rent, etc.

9.25 Audit Checks :

Verification of Register of Admission of Toddy Shops, Register of Tappers under TCS/TFT scheme and the watching of payment of rental to tree owners, tree tax etc., Chitta, Challans, DCB Register, Register of

allotment and consumption of the shop-wise trees and verification of Statement-A & B, Crime occurrence register.

Statement-A individual shops (for TCS/TFTs) maintained by the PES for proposals of establishment of shops normally prepared in April and sent to the Commissioner through the Deputy Commissioner. In audit a comparison with the approved list of shops by the Commissioner and verify whether all shops have been approved. Reasons thereof are indicated for non-approval of shops. It has to be verified that all the approved shops have been allotted to TCS/TFTs concerned. If not, the reasons therefor are also given.

Statement B – Tope-wise provision and allotment made to the shops. It should be seen that they have been approved by the Commissioner and this should be checked with the licence and the payment of Tree tax and Tree owners rent made for the number of trees. It should be seen from the rental register that monthly rentals, Tree Tax etc. are paid on the specified date and in case of delay prescribed rate of interest levied and collected. The licence issue register should be checked whether all the licences have paid licence fee as per the prescribed rates and renewed the licences periodically after paying the renewal fee. It should also be seen from Khata Register that it is maintained properly and action taken to recover the arrears from defaulters and other dues from the concerned TCS/TFTs. A register viz. 28 Column register maintained to watch the realization of the recovery of Excise arrears. It should be seen that they are maintained properly and adequate action is taken.

CHAPTER 10

PHARMACIES, MEDICINAL AND TOILET PREPARATION UNITS

10.1 The levy of duty on Medicinal and toilet preparations containing alcohol, opium and Indian Hemsps or other narcotic drug or narcotics falls within the legislative purview of the Parliament vide entry number 82 of the Union List embodied in the Seventh Schedule of the Constitution of India. The Government of India have enacted the Medicinal and Toilet Preparation (Excise Duties) Act, 1955, to provide for the levy and collection of duties of Excise on medicinal and toilet preparations containing alcohol, opium, Indian hemp or other narcotic drug or narcotics. The Act is in force throughout India. The entire amount is appropriated by the State. The Central Government have issued rules in 1956 for regulating the provisions of the Act.

10.2 Licensing :- No dutiable goods can be manufactured without an appropriate licence granted in accordance with Section 6(1) of the Act. However, the manufacture of medicinal and toilet preparations which do not contain alcohol but contain Narcotic drugs or Narcotics and fall within the definition of 'Dangerous Drugs' as given in the Dangerous Drugs Act, 1930, has been exempted from the purview of the Medicinal and Toilet Preparations Act. The licences for the manufacture of dutiable goods are issued on furnishing the necessary security and on payment of prescribed fee. The following four categories of licences are issued under the Medicinal and Toilet Preparations Act in the State. The currency of all the licences is from the first of April to the end of March of the following year.

The different types of licences are as follows :

S.No.	Category
1. L.1 Units	Licence to manufacture medicinal and toilet preparations containing alcohol, narcotic drugs and narcotics under bond for payment of duty.
2. L.2 Units	Licence to manufacture medicinal and toilet preparations containing alcohol, narcotic drugs and narcotics purchased at concessional rates of duty or free of duty.
3. L.3 Units	Licence of ayurvedic practitioners to manufacture of Ayurvedic preparations containing self-generated alcohol for dispensing and not for trade purposes.
4. L.4 Units	Licence for bonded warehouses.

All these licences have to be obtained after payment of prescribed fee.

10.3 Under the Act, excise duties are levied at specified rates on all dutiable goods manufactured in India. The duty is levied in the State in which goods are released from a bonded warehouse for home consumption and, where goods are not manufactured in bonds, in the State in which goods are manufactured. Provision has been made to allow rebate on duty of alcohol, etc., supplied for manufacture of dutiable goods when the duty on the finished product is less than the duty already

collected on alcohol as an ingredient in that product. Recovery of sums due to Government can be effected from any sums due to the licensee under Section 5.

The Prohibition & Excise Commissioner administers the Act in the State as per the powers vested in him under Section 19 of the Act and is assisted by the Director of Distilleries and Breweries. The definitions of the terms 'alcohol', 'Excise Officer', Indian Hemp', 'manufacture of medicinal preparations', 'Narcotic drug', or 'narcotic', 'opium' and 'toilet preparations' are given below:

(i) **Alcohol** means methyl alcohol of any strength and purity having the chemical composition C_2H_5OH .

(ii) **Dutiable Goods** means the medicinal and toilet preparations specified in the Schedule as being subject to the duties of Excise levied under the Act.

(iii) **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.

(iv) **Excise Officer** means an Officer of the Excise Department of any State or any other person empowered by the collecting Government to exercise all or any of the powers of an Excise Officer, under the Medicinal and Toilet Preparations Act, 1955.

(v) **Indian hemp means** (I) the leaves, small stalks and flowering or fruiting tops of the Indian hemp plant (*Canabis Sativas*) including all forms known as Bhang, Sidhi, or Ganja (ii) Charas, that is the resin obtained from the Indian hemp plant, which has not been submitted to any manipulation other than those necessary for packing and transport and (iii) any mixture with or without neutral materials of any of the above forms of hemp or any drink prepared there from and any extract or tincture of any of the above forms of Indian hemp.

(vi) **Manufacture** includes any process incidental or ancillary to the completion of the manufacture of any dutiable goods.

(vii) **Medicinal Preparation** includes all prescription prepared for internal or external use of human being or animals and all substance intended to be used for or in the treatment, mitigation or prevention of diseases in human beings or animals.

(viii) **Narcotic drug or narcotic** means a substance which is coca leaf or coca derivative, opium, or derivatives 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 be notification in the official gazette declare to be a narcotic drug or narcotic.

(ix)(a) **Opium** means (i) the capsules of Poppy (*Papavar Sommferum 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 materials of any of the above forms of Opium but does not include any preparation containing not more than 0.20 per cent morphine;

(b) **Derivative of Opium means** (i) medicinal opium, that is opium which has undergone the processes necessary to adapt it for medical 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 drops or other residue remaining after opium is smoked, (iii) morphine, that is, the principal alkaloid of opium having the chemical formula $C_{17}H_{19}NO_3$ and its salts, and its derivatives.

(x) (a) **Coca derivative means** (i) Crude cocanine, that is any extract of coca leaf which can be used, directly

or indirectly for the manufacture of cocaine, (ii) cocaine, that is levoecgonine having the chemical formula $C_9H_{15}N_3O_2$ and all the derivatives of levoecgonine from which it can be recovered and cocaine, that is methyl-benzyl-levoecgonine having the chemical formula $C_{17}H_{21}NO_4$ and its salts.

(b) Coca leaf means (i) the leaf and young twigs of any coca plant, that is, of the *Erythroxylon coca* (Lank), and *Erythroxylon nova-granatense* (Hiern) and their varieties, and of any other species of this genus which the Central Government may by notification in the official gazette, declare to be coca plants for the purposes of this Act and (ii) any mixture thereof, with or without.

(xi) Toilet Preparations means any preparation which is intended for use in the toilet of the human body or in perfuming apparel of any description or a substance intended to change, improve or alter the complexion, shine, hair or teeth and includes deodorants and perfumes.

10.4 The products manufactured by the Medicinal and Toilet Preparations Units include Allopathic, Homoeopathic and Ayurvedic toilet preparations. On the basis of the recommendations of the Drug Controller, each licenced unit is allowed to manufacture its authorised preparations under the above rules and alcohol allotted is released accordingly.

10.5 Import of alcohol :- Under Rule 18 of the Medicinal and Toilet Preparations (Excise Duties) Rules, import of alcohol from outside the State is permissible. For this purpose, the licensees have to fulfil the following two conditions (vide G.O.Ms.No.301, Revenue (F) Department dated 6-3-1975 of the State Government of Andhra Pradesh).

(i) The licensees shall be required to produce Bank guarantee at the prescribed rate for importing from outside the State, from any of the Scheduled Banks to cover the countervailing duty.

(ii) They have to tender a personal indemnity bond to indemnify Government by payment of full duty at the prescribed rate for all losses by way of theft or otherwise, over and above the admissible limit of 0.5% towards transit wastages.

10.6 Rates of Excise Duties :- According to Section 3 of the Medicinal and Toilet Preparations Act, 1955, the State Governments are empowered to levy and collect duties on the goods manufactured under the said Act in accordance with the rates communicated by the Government of India. The rates and duties are revised from time to time by the Government of India and the rates in force at the time of audit have to be applied by the local audit staff.

10.7 Manufacture in bond :- (i) Where the medicinal and toilet preparations are manufactured in bond, the Excise duty is leviable in State in which such goods are released from a bonded warehouse for home consumption whether such State is a State of Manufacture or not.

According to the instructions issued by the Director of Distilleries, and Breweries, Hyderabad in Cr.C2/13736/81/DDB/Ex, dt.14th December, 1981 Excise Officer in charge of the unit should release finished products only after receipt of analysis reports and after payment of excise duty at the rates prescribed by the Government of India.

10.8 Manufacture not in bond :- Where the medicinal and toilet preparations are not manufactured in bond, the duty is leviable in the State in which such goods are manufactured.

10.9 Classification determined by Central Government :- For the purposes of levy of duty, the Medicinal preparations have been classified into two categories Restricted Preparations and Unrestricted

Preparations (i.e. not capable of being consumed as ordinary alcoholic beverages). On restricted preparations, the rate of duty is higher than that on unrestricted preparations.

The classification of medicinal and toilet preparations into restricted and unrestricted preparations is done by the Central Government. However, all medicinal preparations other than official allopathic preparations which are manufactured in India on or after 1-4-1957 are brought under restricted preparations.

10.10 Bonded Pharmacies obtain rectified spirit without payment of duty from the distilleries for use in the preparations of the Medicines and are required to pay duty on the resultant medicinal or toilet preparations containing alcohol, as and when the issues of medicines are taken from the manufactory.

10.11 Duty Free issues :- Duty free issues of medicinal preparations are allowed from bonded factories/or warehouses under Rule-7 of the Medicinal and Toilet Preparations (Excise Duties) Rules, 1958, to the following institutions :

- (a) Hospitals and dispensaries working under the supervision of the Central or any State Government.
- (b) Hospitals and dispensaries subsidized by the Central or State Government.
- (c) Charitable Hospitals and dispensaries under the administrative control and management of local bodies.
- (d) Medical Stores Depots of the Central or any State Government and
- (e) Every other institution certified by the Principal Medical Officer of the District in which such institution is situated as supplying medicines free to the poor.

10.12 The duty or charge short levied or erroneously refunded is recoverable from the person from whom the duty was short charged or to whom the refund was erroneously made within six months from the date on which duty was paid or from the date of making the refund, as the case may be (Rule 11).

10.13 No refund of duties or charges erroneously paid is allowable unless a written claim is preferred within six months from the date of such payment (Rule 12).

10.14 Exports :- The medicinal and toilet preparations are exported out of India in two ways (i) either under bond (i.e. without prepayment of duty) or (ii) after the payment of duty. In the latter case, the exporter will be entitled for a rebate of duty on his furnishing proof of export (Rule 14).

10.15 Manufacture :- Rectified Spirit is supplied to a manufacturer from a distillery or a Spirit Warehouse in the State or is permitted to be imported from outside the State. Wastages in transit of rectified spirit can be waived if it is bonafide and not due to negligence or connivance of the manufacturer. The manufacture of medicinal and toilet preparations containing alcohol is done either in bond or outside bond. If it is done under bond, alcohol on which duty has not been paid, can be used under the Excise Department's supervision. If it is done outside bond, then alcohol on which duty has been paid alone should be used.

10.16 Manufacture in Bond :- For use of rectified spirit without payment of duty earlier, the manufacturer should enter into bond in form B-1 with sufficient security, as provided under Sn.96 for the due payment of duty and observance of the conditions. There shall be separate rooms for storing rectified spirit, opium, Indian hemp and other Narcotic drugs and Narcotics received for manufacture of Medicinal and toilet preparations and for storing the finished products. All the vessels and other apparatus shall be entered in R.G. 1 Register. Rectified spirit required for manufacture is obtained on indents in Form I D1 duly countersigned by

the Officer-in-charge. Consignments of rectified spirit received in bond shall be verified for volume and strength and the receipt of such supply shall be entered in Form R.G.II. Duty shall be paid on all wastages on demand by the Officer-in-charge subject to the provision that the loss is not due to the negligence of the party concerned. Rectified spirit is to be issued for laboratory purposes on a requisition in Form R.Q.I and will be issued in such quantities as are in conformity with the formula laid down. For the medicinal and toilet preparations the required quantity will be issued by the Officer-in-charge from the rectified spirit store and will be added to the other materials immediately in the presence of the Officer-in-charge. Finished materials may be transferred to the finished goods store of the factory.

10.17 Indents for opium, Indian hemp and other narcotic drugs and narcotics :- The Indent for opium shall be made in Form D1 to the nearest sub-treasury or Government Opium Factory, Ghazipur or to the warehouse of or the place of storage approved by the State Government. The supply of the Indian hemp and other Narcotics shall be indented for from the nearest Government Warehouse in the same form after obtaining a permit. There should be a permit for the supply. The receipt in the Bonded Warehouse should be verified and accounted for in R.G.II. It will be issued for purposes of manufacture on indents in the same form.

10.18 Manufacture of dutiable goods :- Each preparation will be registered and shall bear a number, which shall be known as its Batch Number in the Register, in Form R.G.III. The alcoholic strength of the preparations as declared by the licensee shall be entered by the licensee in R.G.III Register. Again, immediately after declaration by the licensee of the alcoholic strength of a finished preparation and before such preparation is removed to the store, the licensee shall make proper entries in the R.G.III Register. The quantity produced shall also be entered in R.G.III Register. Necessary note of the samples taken by the Excise Officer-in-charge may also be entered by the licensee in R.G.III Register. 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 Medical Preparations manufactured there from. As soon as a preparation is manufactured, it shall be removed to the finished store where after it has been carefully-measured, it shall be stored in vessels provided for the purpose and accounted for in the Register in R.G.IV.

10.19 Storage of finished products :- The medicines or toilet preparations shall on completion of products be stored in bulk in jars or bottles each containing not less than 80 fluid ounces. When it is ready for issue, it may be filled in bottles or containers not less than 2 fluid ounces.

10.20 Deficiency noticed in the finished store :- All deficiencies in bulk content of any finished medicinal or toilet preparations in Store should be entered in Form R.G.IV by the Officer-in-charge. If no satisfactory explanation is forthcoming from the licensee for this shortage in store, it shall be subject to the levy of duty on the quantity lost at penal rates not exceeding double the rates of duty prescribed. The physical balance at the close of the month is also taken to find out the storage shortage. Excise duty may be remitted by the Excise Commissioner if he is satisfied that the deficiency was due to natural or unavoidable causes and that the alcoholic preparation has not gone into consumption. The actual sub-standard preparations can be destroyed and destruction should be entered in R.G.IV Register or they can be reprocessed with the permission of the Excise Commissioner. No duty is to be levied on the Alcohol content of the preparations destroyed. An account of alcohol recovered in the course of production of medicinal or toilet preparations or distilled separately from such a preparation in a recovered alcohol vat, shall be maintained by this Officer-in-charge in Form R.G.II. No rebate of duty is allowed on recovered alcohol found unfit and destroyed.

10.21 Wastage in manufacture :- The State Government may time to time fix the percentage of wastage in the production of a particular medicinal and toilet preparation. Rule 38 of M&TP. Rules 1956 any wastage that exceeds the allowable limit and is not properly accounted for shall be charged with the duty together with such penalty not exceeding the duty leviable thereon as the Excise Commissioner may deem fit. If the percentage consist of pure alcohol in a preparation is found by the chemical Examiner to exceed the highest allowable limit by more than 1.75% by volume units or to be below the lowest allowable limit its issue from the bonded manufactory shall be with held.

When an excess of more than 1.2% by volume units over the pure alcohol content declared by the licensee of any batch of preparation is found by the Chemical Examiner the true percentage of pure alcohol content as ascertained by the chemical Examiner shall be entered in Batch Account and the excess duty due from the licensee shall be realized.

10.22 In case of any accidental loss of alcohol in a Bonded Manufactory otherwise than by theft, the Officer-in-charge should ascertain the reasons for the loss, and if it is beyond the control of the licensee, the Excise Commissioner can exempt the levy and payment of the tax.

10.23 Issues of alcoholic preparations can be made from Bonded Manufactory Store on payment of Excise duty. The licensee shall present an application in Form A.R.II signed by him or his authorised representative before the Officer-in-charge who shall after checking the entries realise the duty payable and allow the required quantities to be removed by issuing a permit. The duty is paid through challans by the parties into the bank and the challans produced to the Officer-in-charge alongwith the request for removal of the finished goods. If the removal is from one bonded warehouse to another, the payment of the Excise duty is not necessary but this is permissible only under proper security for which appropriate rules have been framed separately (vide Govt. of India notification dt.1-3-81).

10.24 The licensee shall maintain accounts in the forms and registers prescribed and render a return, to the officer-in-charge, by the 5th of each month of the transactions in respect of the preceding month in the Form R.T.I. The officer-in-charge shall maintain account in the prescribed forms and shall take steps to ensure that the licensee also maintain simultaneously similar accounts. These separate accounts shall be written up daily by the officer-in-charge and licensee or his authorised person and compared and reconciled before the manufactory is closed at the end of each day's transactions. The officer-in-charge shall be responsible for the correct and prompt collection of duty and penalty before the preparation are permitted to leave the bonded manufactory.

10.25 Audit checks :-In audit of bonded pharmacies, it should be seen that the excess wastage statements have been prepared and duty has been levied and charged correctly in transit and storage wastage.

When any batch of medicine is prepared, a declaration is made by the Bonders as to the strength of alcohol contained therein. A sample from the Batch is at the same time, sent to the Chemical Examiner for analysis after, analysing the spirit or medicaments and issue of the adjusted batch of preparation shall be allowed only when the Chemical Examiners report has been found to be satisfactory.

The account of samples sent to the Chemical Examiner and his reports are kept in B.M.3 "Register of samples sent to the Chemical Examiner". If however, the alcohol strength of preparation is found by the Chemical Examiner to exceed the highest allowable limit by more than 1.75% by volume unit or to be below the lowest allowable limits, its issue from the bonded Manufactory is to be withheld. The account of finished products, i.e., medicines is kept in R.G.4 Register of finished products. All the medicines manufactured are entered in this Register and the Issue and Closing balance shown here. The monthly stock taking of medicine is also done by the officer-in-charge and, if any shortage of medicine is noticed, duty is levied on that shortage at penal rates not exceeding double the rates of duty prescribed. The register should be checked in audit.

If the licensees want to maintain an account current with Government, they deposit the amount of duty in advance in lumpsum, the account of which is kept in B.M. 6 Register of advance Accounts. As and when medicines are issued from the manufactory, duty on these issues are calculated and adjusted against the advance deposit of the bonder. The issues from the Bonded Manufactory are made on presentation of an application in Form A.R.II. This register should be checked in audit. In addition to the above checks, it should be seen while auditing the accounts of Bonded Pharmacies –

- (i) That the medicines manufactured have been correctly classified into restricted or unrestricted category and that correct rates of duty are being charged as prescribed in the Schedule to Section 3 of the Medicinal and Toilet preparations Act.
- (ii) that in the case of medicinal preparations other than official allopathic preparations manufactured on or after 1st April 1957, duty is being charged at the prescribed rate unless these have already been categorized by the Central Government as unrestricted preparations.
- (iii) That the deposit of duty in advance deposit account has been correctly entered in the Register with reference to Treasury Challans and deductions on account of duty levied with reference to application of issue of medicines in Form A.R.2 and Register of daily issue of medicines in B.M.4 has been correctly made.
- (iv) That all the receipts and issues of spirits have been correctly taken into account.
- (v) That necessary action has been taken to charge the duty in case of variation of strength of spirit on the higher side noticed as a result of Chemical Examiner's Report.
- (vi) That all the medicines shown as manufactured in R.G.III Register have been taken to R.G.IV Register of finished Products and all issues of medicines as per B.M.4 and A.R.II are correctly posted and closing balance correctly worked out.
- (vii) In case of issue of duty free preparations the manufacturer must produce to the Officer-in-charge a receipt signed by the Principal medical Officer acknowledging the Receipt of each consignment within three months of the date of despatch.

If it appears that any such consignment was not received by the consignee, the case needs to be reported to the Excise Commissioner and pending the receipt of his orders duty free issues to that consignee are to be stopped. In case a shortage is discovered at the destinations the manufacturers are liable to pay duty on such shortage at the rate prescribed for rectified spirit when used for medicinal purposes.

- (viii) that in case of failure of the manufacturer to furnish proof of export of dutiable goods, the duty, leviable on such goods and penalty, if any is recovered from the manufacturer.
- (ix) the figures as disclosed in returns of sales tax Income tax wherever available may be correlated with a view to seeing that no part of the turnover has escaped from payment of duty fee etc. The relevant figures collected may be passed on to the audit parties of sales tax and Income tax for cross check.
- (x) The excess wastage statements should be examined in order to see that duty has been correctly charged on such wastage.

10.26 Homoeopathic Preparations :- All homoeopathic preparations containing alcohol shall be classified as capable of being consumed as ordinary alcoholic preparations and shall fall under the category of Restricted preparations.

10.27 Preparations containing opium, Indian hemp and other narcotic drugs and narcotics :- Ayurvedic preparations containing self-generated alcohol in which alcohol content has not exceeded 2% proof spirits shall be deemed to be non-alcoholic and no duty shall, therefore, be leviable on such preparations. Where the percentage of proof spirit is in excess of 2% duty will be leviable under item 2 (iii) or 2 (i) of the schedule to the Medicinal and Toilet Preparations Act 1955 according as the preparations are capable of being

consumed as ordinary alcoholic Beverages or not. For purposes of duty, 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.

CHAPTER 11

Verification of credit and reconciliation of figures and miscellaneous items of check

11.1 General :- It is an important audit check to verify the correctness of the assessment of the demand and its realization and credit to Government Account. The verification of facts of remittance of the sums realized as taxes, duties, fees, penalties etc., into the treasury and the reconciliation of the treasury figures relating to such remittances with the departmental figures is essential to ensure that Government amounts are properly accounted for. Audit should, therefore, verify for the marked months that the proceeds of the taxes, duties etc., are actually remitted into the treasury and entered into the treasury accounts with reference to the relevant records and that the remittances have correctly been classified under the proper heads of the account.

11.2 It is the primary duty of the Excise department to ensure that the figures of the remittances made as per treasury accounts are reconciled month after month with its own figures as per books of account kept by it. Such a reconciliation will not only facilitate rectification of errors in accounting such as mis-classifications but will also serve to detect serious errors due to fraud, defalcations and the like. There have been instances where due to omission in this respect, misappropriation of the tax and duty collection, presentation of bogus challans and drafts, fraudulent tampering with records etc., have occurred. Though the prevention of fraud and misappropriation is the primary look out of the department, audit should ensure that the system and machinery adopted by department contain the inherent checks.

11.3 Verification of credits in the office of the Prohibitor & Excise Superintendent :- The audit parties have to verify the credits in the books of the treasuries in respect of all the following items for the marked months :

- (1) Credits appearing in the Prohibitor & Excise Superintendent's records (Cash book, receipt book etc.).
- (2) Credits appearing in the Circle/Range/Cash books/Receipt books marked for detailed check.
- (3) Credits appearing in the Taluk Ledger towards rental, etc., for the marked taluk.

11.4 In addition to the credits appearing in the marked month in respect of the above records a test check of few more audits in other months has also to be done.

11.5 Verification of two months credits :

Besides seeing that the reconciliation of departmental figures of receipts with those appearing in treasury accounts, two months credits as appearing in the departmental records may also be checked with the original records of that treasury wherever possible so as to ensure that the money received, have actually been credited into the treasury. The certificate of verification of credits for two months selected should be specifically recorded in the memorandum forwarding the Local Audit Report.

11.6 All the field parties are instructed to include a para at the end of the report under the heading "Records not produced and records not maintained" showing both the categories separately, as two sub-paras in the last para in local audit report (circular No.17 dt.16-11-73 of SRA (Hq)). The particulars of records seen in local audit may be indicated in separate list to be forwarded to the receipt audit headquarters section for use.

11.7 All field parties should maintain an audit note-book. This is intended to record the list of important circulars issued by the C&AG and SRA/Hq and also important interesting points noticed during local inspection. This book should be handled over alongwith circular files, codes etc., to the successor officer for their guidance and continuity. The receipt audit officer are requested to see that audit note books are maintained by the field parties (Circular No.17 dt.16-11-73) of SRA Hq.

11.8 The allocation of work among the members of the field parties prescribed by the C&AG vide circular No.6 of 1984/No.252 Rec-A-IV-3(1-84/Gr.I dt.28-2-84) is given below :

ALLOCATION OF AUDIT WORK AMONG MEMBERS OF STATE RECEIPT AUDIT PARTIES

STATE EXCISE DUTIES :

I. Senior Audit Officer/Audit Officer.

1. Review of items marked with asterisk and discussion of the outstanding local audit Report paras.
2. Review of the challans audited by Asst. Audit Officer/Section Officer.
3. Review of Auction files (with a view taking objections and increasing percentage of review, if needed, for generation of audit report material).
4. Audit of license of foreign liquor shops involving revenue of Rs.30,000 or more per year, country liquor licence for Rs.one lakh or more per year and Ganja and Drug licences for Rs.50,000 or more per year. Review of 10 per cent of licences for foreign liquors and country liquor which are audited by Asst. Audit Officer./Section Officer.
5. Review of 20 per cent of Refunds and remission cases audited by AAOs/Section Officers with a view to taking audit objections.
6. Files on auction cases, supply contracts and interstate movements in Commissioners' Office.
7. Audit of warehouse records, records in distilleries and pharmacies (subject to allotment of suitable work by audit officer to AAO/Section Officer).

II. ASST. AUDIT OFFICER/SECTION OFFICER :

1. Check of 20% of challans for payment of duty audited by the auditor with a view to taking audit objections.
2. Audit of auction files.
3. Audit of all licences issued for foreign liquor shops not audited by Audit Officer.
4. Audit of all licences for Ganja/Drug licence between Rs.30,000 to Rs.50,000. Review of 10% of licences for Ganja/Drug audited by Auditor.
5. Review of 20% of other licences, permits and papers and miscellaneous receipts audited by Auditor.

6. All cases of refunds and remission of Revenue in excess of Rs.1,000/- and 10 per cent of other cases selected at random.
7. Other important register and connected files.

III. Sr.Auditor/Auditor :

1. Audit of challans for payment of duty.
2. 25 per cent of other categories of licences, permits and passes relating to Revenue/duty/fee and miscellaneous receipts (10 per cent selected by reference to value and 15 per cent selected by random).
3. Other Registers and connected files including those relating to payment made to distilleries from recovery made on ex-bond clearances (other than those checked by Asst. Audit Officer/Section Officer.)

12.9 In order to help the field parties in their work a questionnaire is given in Appendix I.

CHAPTER 12

Preparation and issue of local audit reports

12.1 The form of local audit report is the same followed for other receipts. This comprises, three parts viz., Part-I containing introductory para indicating the scope of audit and personnel in charge of the office inspected, unsettled objections from previous reports, and persistent irregularities and Part-II containing major irregularities and other irregularities. Section-I of Part-II covers objections valued at Rs.50,000/- and more and Section-B covers those valued at Rs.5,000/- and more but less than Rs.50,000/-. This part also contains other important aspects of taxation and tax administration for which action at higher levels may be required, part-III viz., test Audit Note containing minor irregularities and omissions the financial effect of which does not exceed Rs.5,000/- and which should be complied with by the departmental officers and compliance shown to the next audit.

12.2 The local audit report should be written up by the Revenue Audit Officer himself in all cases where he supervises the party on the closing day. In other cases, the A.A.O. Section Officer may write the report. In the paras all the relevant facts should be brought out clearly arranged in a logical sequence. Proper references to section/rule or order quoted in the para and cross references between the paras and the half margins should be made by the field parties. Annexures should be serially numbered giving reference in each Annexure to the relevant para. Reasons for dropping any objections during discussion etc., should invariably be recorded.

12.3 In cases where objections are based on correspondence & instructions issued by higher authorities on court judgements etc., copies of such papers should invariably be enclosed to the inspection report as these may not be available in the ;main office.

12.4 Headquarters Section :- The local audit reports should be edited at the Headquarters and issued within 3 weeks of the completion of local audit, duly approved by the group officer. The approved report should be sent to the Head of the Office inspected with a copy to his Controlling Officer. Replies to the reports should be received through the concerned Controlling Officer within one month from the date of issue of the report. Important cases of irregularities should be brought to the notice of Government by special letters. A reply to Part-III of the report is not required to be watched in Central Audit; it is enough if the disposal is checked during the next audit.

APPENDIX I
(Refer to Chapters 5 to 7)

Registers to be seen

Audit Checks

Distilleries (Alcohol)

1. Collection of fees and Deposits
It should be seen that payment of all the prescribed fees and deposits have been made by the licences and conditions laid down in the Rules have been duly observed.
2. Spirit out turn
From the registers and accounts it should be seen that the Spirit out turn is commensurate with the wash send in for distillation and that the wash is thoroughly exhausted of spirit.
3. Realisation of various Duties at correct rates
It is to be seen that duty Import pass fee/countervailing duty etc. on the issues have been realized at the correct rates in force from time to time.
4. Wastages
It should be seen that the wastages are within the limits prescribed
5. Maintenance of Register
The Registers in Form D3 to D7 and in Form D9 should be checked carefully.

Breweries :

1. Register and files
The B3 and B4 registers/Files should be checked in audit along with other registers and the records maintained by the Excise Officer in charge of Brewery.
2. Collection of Duty
It should be seen that the Excise Duty has been fully paid on the quantity brewed as entered in the account books.
3. Wastages
No excess over 10% for wastage should be permitted and in case the excess is over 10% duty on such excess should be realized.
4. Reconciliation
It should be seen that the Excise Officer in-charge verified the correctness of the challans received with those of the Treasury.
5. Other checks
All the audit checks similar to those carried out in case of Indian Manufactured Foreign Liquor distilleries should be carried out here.

Rectified Spirit and Denatured Spirit

1. Renewal of licences and collection of licence fees
It is to be seen that the rectified spirit and denatured spirit licences have been issued or renewed. After payment of the prescribed licence fees and application fees etc; and that the end product does not contain alcohol. If contained, it is to be seen that excise duty has been paid at full rates as per analysis reports

2. Accounts

The various accounts maintained by the licensees and Excise Officers have also to be checked.

Indian Made Foreign Liquor

1. Licence and Permits

The checks in regard to the Excise duty countervailing duty, Excise fee, Licence Fee etc. consist in seeing that proper licence has been taken by the licensees. Whether they have paid the licence fees and have renewed licences whenever necessary and whether proper permits have been obtained for import/export and transport of Indian Made Foreign liquor etc. The registers in Excise Superintendent Office. Commissioner Office have to be examined with the relevant files of licences issued, permits issued, challans etc.

2. Reconciliation

It should be ensured that the reconciliation of the departmental figures with the Treasury figures has been done.

3. Verification Reports

The verification reports of the Excise Officers may be correlated and it may be ensured that follow up action has been taken by the Excise Officers when discrepancy is found during their verification.

Pharmacies, Medicinal and Toilet preparation units

1. Transit and Storage Wastages

It should be seen that the excess wastage statements have been prepared and duty has been levied and charged correctly on transit and storage wastages.

2. Sending samples to the chemical Examiner and collection of differential duty

It should be seen that the samples have been sent to the chemical examiner regularly from each batch and the Chemical Examiner's reports have been received without any delay. If the strength as declared by the Chemical Examiner is more than 2 degrees than that declared by the manufacturer, it should be seen that differential duty on the balances released prior to the receipt of the Chemical Examiner's report is realized. It is to be seen whether the true strength as declared by the Chemical Examiner is entered in R.G.III register.

(b) If the alcohol strength of the preparation as declared by the Chemical Examiner exceeds the higher allowable limit by more than 3 proof degrees or to be below the lowest allowable limits it should be seen in audit that its issue from the bonded manufactory is withheld.

(c) The account of finished products kept in R.G.4 (Register of finished goods). All the medicines manufactured are entered in this register and the issue and closing balance are shown here.

3. Monthly stock taking

It is to be seen whether the monthly stock taking has been done and if any shortage of medicine is noticed, duty is levied on that shortage at penal rates not exceeding double the rates of duty prescribed.

4. Maintenance of Account current are issued

It should be seen from BM 69 (Account register) that as and when medicines from the manufactory, duty on these issues is calculated and adjusted against the advance deposit of the licence. It should be seen that the licensee recoups the amounts adjusted well in time.

5. Classification of medicines

It should be seen that the medicines manufactured have been correctly classified into restricted or unrestricted category (vide schedule to section3).

6. Preparations other than official allopathic preparations

It should be seen in respect of preparations other than official allopathic preparations manufactured on or after 1-4-57 whether duty is being charged at the rates prescribed unless these have already been categorized by the Central Government, as unrestricted preparations.

7. Receipts and issues

It is to be seen that all the receipts and issues of spirits have been correctly taken into account.

8. Duty Free preparations

It should be seen that in case of issue of duty free preparations, the manufacturer has produced to the Officer-in-charge a receipt duly signed by the Principal Medical Officer acknowledging the receipt of each consignment within 3 months of the date of despatch.

9. Proof of Export of dutiable goods

It should be seen that in case of the failure of the manufacturer to furnish proof of export of dutiable goods whether the duty leviable on such goods and penalty if any is recovered from the manufacturer.

10. Correlating Sales Tax returns & Income Tax returns with issue of finished goods.

The figures as disclosed in the returns of Sales Tax/Income Tax may be correlated with the issue of finished products with a view to seeing that no part of the turn out has escaped from payment of licence fee etc.

