

## **REPORT ON THE ACTIVITIES OF THE EXCISE DEPARTMENT FOR THE YEAR 2008-09**

1. The Excise Department was set up as an independent Department with effect from 01.12.1999 after being carved out of the erstwhile Revenue and Excise Department. It is a resource generation Department of the State, which enforces the State Excise laws in the State.

At present there are four sections functioning in the Excise Department. The collection aspects of the excise revenue are enumerated below for better appreciation.

### **2. EXCISE POLICY:**

2.1 Article 47 of the Constitution of India envisages that every State shall endeavour to bring about prohibition of consumption except for medicinal purposes of intoxicating drinks and of drugs, which are injurious to health. It is, always the avowed policy of any Government committed to welfare of the people to be alert and watchful regarding the trends in consumer behavior. Like all economic goods, intoxicants also have a 'supply' side and a 'demand' side. The endeavour of the Government has been to ensure that the existing demand is met by legitimate and safe supply of reasonable quality of liquor. Any short supply of legitimate liquor is bound to result in bootlegging / spurious liquor filling up the gap, which would endanger public safety.

2.2 In various judicial fora it has been pronounced that the sole purpose of granting privilege to trade in liquor is to collect revenue in order to add to the scarce resources of the state. It is imperative to evolve a policy through which manufacturing, distillation, trading in liquor are to be canalized under strict vigil of the state which would generate considerable resources but without compromising with the social values.

2.3 According to Article 246 (3) of the Constitution of India, the Legislature of the State has exclusive powers to make the laws for the State or any part thereof with respect to any of the matters enumerated in list II of the Seventh Schedule of the Constitution. Item No. 8 of the List II envisages intoxicating liquors, that is to say, the production, manufacture, possession, transport, purchase and sale of intoxicating liquors. Item No. 66 of the List II of the Constitution empowers the State Legislature to impose fees in respect of any

of the matter enumerated in this list. The excise duty is leviable in respect of alcoholic liquors for human consumption manufactured in the State or produced elsewhere in India (item No. 51 List II. 7<sup>th</sup> Schedule).

2.4 The State has exclusive right to grant privilege for manufacture, possession and sale of intoxicating liquor. However, the State grants such privileges to persons in the shape of licences.

2.5 The monopoly in wholesale trade in liquor in the State is vested with Government and it operates through a Corporation under the name and style of 'Orissa State Beverages Corporation' (OSBC). An intoxicant can be manufactured or imported as per the provisions of the relevant Act and Rules but the same cannot be sold to any business unit except through the Orissa State Beverages Corporation. Hence the entire saleable quantity of intoxicants is acquired by the Beverages Corporation. The Corporation will sell to the licensees under terms and conditions prescribed by the Government as well as by the Corporation from time to time. Since the collection of revenue is one of the main planks of the liquor trade and the State is in need of extra resources, for funding the plan, horizontal/ lateral expansion of licensed outlets will cater to the enhanced demands of the people of the State.

2.6 Taking over the monopoly in wholesale trade in IMFL and Country Spirit was a major policy decision of the Government. The Excise Revenue has increased substantially. The figures for the last eight years are as follows: -

Year	Excise Revenue (Rs. in Crores)	Percentage of Growth
2001-2002	Rs. 197.35	45.81%
2002-2003	Rs. 246.05	24.69%
2003-2004	Rs. 256.69	4.31%
2004-2005	Rs. 306.61	19.44%
2005-2006	Rs. 389.20	26.93%
2006-2007	Rs. 430.12	10.51%
2007-2008	Rs.524.83	22.02%
2008-2009	Rs. 660.04	25.76 %

### **3. IMFL AND BEER**

3.1 The main source of Excise Revenue in the State is through imposition of duty/fee on India Made Foreign Liquor (IMFL) and Beer. There are 904 Foreign Liquor 'Off' shops, 270 'On' shops, 13 'On' Clubs and 60 Beer Parlours in the State during 2008-09.

3.2 The IMFL 'Off' shops are settled by way of drawal of lottery. The collection of consideration money of the IMFL 'Off' shops and 'ON' shops during 2008-09 is Rs.55.57 crores and Rs.8.26 crores respectively. Besides, the State gets duty on the IMFL and Beer lifted by the retailers. The retailers have to lift a Minimum Guaranteed Quantity (MGQ) of IMFL and Beer, which ensures a guaranteed amount of duty.

### **4. OUT STILL (OS) LIQUOR:**

4.1 Twenty Districts of the State namely Sambalpur, Bargarh, Jharsuguda, Deogarh, Kalahandi, Nuapada, Bolangir, Sonepur, Boudh, Koraput, Rayagada, Nawarangpur, Malkanagiri, Sundergarh, Angul, Keonjhar, Mayurbhanja Ganjam, Gajapati & Dhenkanal are having Out Still system. These Out Still shops are settled by lottery. There are 555 Nos. of Out Still shops with 1016 branch shops. The collection of consideration money from the Out-Still main and branch shops during the financial year 2008-09 is Rs 67.00 Crore.

### **5. COUNTRY SPIRIT SHOPS:**

5.1 Country Spirit shops are prevalent in 10 Districts namely Cuttack, Jagatsingpur, Kendrapara, Jajpur, Puri, Nayagarh, Khurda, Phulbani, Balasore and Bhadrak. The country spirit shops are settled by way of lottery. There are 178 nos. of Country Spirit shops in the State. The collection of consideration money of Country Spirit shops is Rs 7.82 crore during the year 2008-09.

5.2 As per policy decision of Govt., C.S. is being supplied in 200 ml. glass bottles by the ACSI Ltd., Aska in addition to 200 ml C.S. in poly pouches from this year. Eventually glass bottles will replace poly pouches.

### **6. DISTILLERIES, BREWERIES AND BOTTLING PLANTS:**

6.1 The State has three Distilleries, four Breweries and eleven Bottling Plants. The production capacity of the Bottling Units and Breweries is 200.71 lakh LPL of IMFL and 510.20 lakhs BL of Beer within the State.

**7. LIFTING OF IMFL AND BEER:**

7.1 156.50 Lakhs LPL of IMFL and 293.00 Lakhs BL of Beer were lifted during the year 2007-2008. During the year 2008-09, 200.79 Lakh LPL of IMFL and 445.46 Lakhs BL of Beer have been lifted.

**8. LIFTING OF COUNTRY SPIRIT**

8.1 59.29 lakh LPL of Country Spirit was lifted during the year 2007-08. During the year 2008-09, 59.00 lakh LPL of Country Spirit was lifted.

**9. PERFORMANCE OF ORISSA STATE BEVERAGES CORPORATION:**

9.1 Government have taken over the monopoly in wholesale trade of IMFL and Country Spirit through a State owned Corporation namely, Orissa State Beverages Corporation Ltd., which has been incorporated as a wholly owned company of the State Government under the Companies Act, 1956. As a result, the collection of Excise duty and sales tax has been increased. A year-wise growth chart of excise duty and sales tax is given below: -

Item	YEAR					
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(I) Excise duty	143.72	164.46	210.29	242.42	301.12	434.30
(II) Sales Tax including entry Tax.	69.39	73.85	86.18	110.43	122.17	166.08
<b>Total</b>	<b>213.11</b>	<b>238.31</b>	<b>296.47</b>	<b>352.85</b>	<b>423.29</b>	<b>600.38</b>

9.2 The Corporation has an authorized capital of Rs. 5.00 Crores. The Government have subscribed Rs. 1.00 Crore towards equity and has given a loan of Rs. 1.00 Crore to the Corporation. The Corporation has opened its depots at Khurda, Cuttack, Berhampur, Sambalpur, Balasore and Rayagada. The Corporation has also opened Country spirit depots at Berhampur, Khurda and Balasore. In order to meet the increasing demands, three more depots are proposed to be opened at Keonjhar, Angual and Bolangir. The Corporation has paid following amount towards licence fees and privilege fee.

Year	Licence Fee (Rs. in crore)	Privilege Fee (Rs. in crore)
2003-04	6.00	5.00
2004-05	10.00	5.00

2005-06	12.00	5.00
2006-07	20.00	Not imposed since 2006-07
2007-08	30.30	Not imposed since 2006-07
2008-09	30.30	Nil

9.3 By operation of the Provisions of Sec-20(A) of Bihar and Orissa Excise Act, as amended vide Orissa Act-9, the wholesale trade in Foreign Liquor and Country Spirit has been taken over by the Orissa State Beverages Corporation Ltd., established under the Companies Act, 1956 is wholly owned and Controlled by the State Government. This being a statutory privilege, the wholesale privilege fee is realized from the OSBC Ltd., whereas the licence fee is realized from all retailers, manufacturers and other licensees which are granted by following due procedure as per the provisions of the Act & Rules. The former is privilege fee and the latter is licence fee.

9.4 The total turn over of the Corporation during the last eight years is as follows:-

Year	Turn Over (Rs. in Crores)	Remarks
2001-02	Rs. 275.43	Audited
2002-03	Rs. 347.25	Audited
2003-04	Rs. 378.00	Provisional
2004-05	Rs. 452.38	Provisional
2005-06	Rs. 523.09	Provisional
2006-07	Rs. 612.23	Provisional
2007-08	Rs.735.28	Provisional
2008-09	Rs. 1013.34	Provisional

## 10. ENFORCEMENT

10.1 There are four Excise Intelligence and Enforcement Bureau (E.I. & E.B) Units in the State. Out of 4 units, one unit each is under the control of the three Excise Deputy Commissioners and one unit is under the Excise Commissioner, Orissa. Besides the EI and EB Units, there are mobile units in the districts to ensure enforcement.

10.2 Comparative statement of enforcement activities since 2003-04 along with the year 2008-09 is furnished below: -

Item		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
(1)		(2)	(3)	(4)	(5)	(6)	(7)
1.	No. of case detected	31,199	30,541	30,534	17,367	14,762	13,586
2.	No. of persons arrested	15,885	15,732	14,955	5,489	4,969	6,243
3.	Major seized articles						
	(a) ID Liquor (Ltr)	2,90,468	2,57,627	2,77,990	1,77,094	1,56,820	1,35,914
	(b) IMFL (LPL)	8,387	11,652	18,737	5,713	9,433	6,008
	(c) Beer (BL)	6,536	10,394	6,711	2,067	4,259	4,973
	(d) Wash (Kg)	49,99,645	48,36,889	26,23,503	27,55,681	24,93,282	2,01,75,591

## 11. DETECTION AND DESTRUCTION OF HEMP PLANT

During the year 2008-09 the excise administration in the State have detected and destroyed following numbers of Hemp Plants in the thirteen (13) Districts along with E.I. & E.B. Units by conducting successful raids.

Sl. No.	Name of the District	No. of Hemp Plants Destroyed	Approximate Value (In Rs.)
1.	Angul	3,92,932	39,29,32,000
2.	Sambalpur	3,22,005	32,20,05,000
3.	Boudh	1,58,394	15,83,94,000
4.	Gajapati	7,43,700	74,37,00,000
5.	Ganjam	02,300	23,00,000
6.	Kandhamal	06,277	62,77,000
7.	Malakangiri	95,00,000	950,00,00,000
8.	Nuapada	04,000	40,00,000
9.	Cuttack	39,700	3,97,00,000
10.	Jagatsinghpur	004	4,000
11.	Nayagarh	01,004	10,04,000
12.	Deogarh	2,90,500	29,05,00,000
	EI & EB Units	1,23,500	12,35,00,000
	<b>Grand Total</b>	<b>1,15,84,316</b>	<b>1158,43,16,000</b>

The approximate value of total destroyed Hemp Plants is Rs.1158.43Crore @Rs. 1000/- per Hemp Plant.

## 12. STEPS TO CHECK ILLICIT LIQUOR:

12.1 Collection of excise Revenue will suffer so long as Illicitly Distilled liquor is not controlled. In order to prevent the illegal inflow of non-duty paid liquor, affixture of Excise Adhesive Labels has been introduced to distinguish duty paid liquor from the seconds. Such labels are being affixed on each bottle of IMFL, Beer Cartoon and Country Spirit pouch.

12.2 The Collectors of the Districts have been instructed to form a multidisciplinary squad consisting of selected officers with good track record from Police, Excise and Forest Departments to conduct extensive raids on the illicit distillation centers.

12.3 Public awareness has been made involving the N.G.O., S.H.G. and Panchayati Raj institutions about the dangers of drinking particularly I.D. and spurious liquor.

12.4 The Bihar and Orissa Excise (Orissa Amendment) Act, 2006 has been enacted w.e.f. 1.6.2006 making provisions of punishment more stringent for excise offences.

Sub-Inspector of Excise and above rank officers have been vested with power of entry, search, seizure, arrest, authorization of arrests and filing of complain under provision of N.D.P.S. Act.

After stringent provisions made, a fear psychosis has been created among the mafia and illegal distillers. The illicit liquor trade is in slowly declining trend. The Excise officials are getting more/ increasing attention from every quarter of the society. Public awareness has increased, and the focus is now on deterrence with many persons behind bars. Courts are also not granting bails. Excise offences have started reducing. A comparative Statement of no. of cases detected and arrested since last three years is given below.

No of cases detected	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
	17367	14762	13586
No of persons arrested	5489	4969	6243

More concerted efforts are being made for training of the excise field functionaries so as to achieve better coordination with all related agencies so that the conviction rate in excise offences can go up significantly.

12.5 Considering the changing situation, Orissa Excise Bill, 2008 has been passed by the Orissa Legislative Assembly in its 14<sup>th</sup> Session of the 13<sup>th</sup> Assembly. The Bill so passed intends to provide for a comprehensive law relating to alcoholic liquor and other intoxicants in the State of Orissa by making adequate provisions for punishment of the offenders and to make provisions for matters incidental thereto by replacing the Bihar and Orissa Excise Act, 1915. In the new law provisions have been made for establishment of Excise Stations, trial by Special Courts and forfeiture of property of the bootleggers and liquor

mafias. This law has been passed incorporating model excise policy circulated by the Govt. of India and Orissa is considered as the first state to adopt the same. The Orissa Excise Bill, 2005 as passed by the Orissa Legislative Assembly is under process for obtaining the assent of Her Excellency, the President of India.

### **13. COMPUTERISATION OF EXCISE DEPARTMENT:**

**13.1** With the Eleventh Finance Commission grant, Computers have been provided to all the Districts, Excise Deputy Commissioner's Office, Excise Commissioner's Office and Excise Department. A sum of Rs. 50.00 lakhs was provided for the purpose and has been utilized fully.

### **14. STAFF STRENGTH:**

14.1 There is one Directorate under the Department headed by the Excise Commissioner under whom three Excise Deputy Commissioners are functioning at Cuttack, Berhampur and Sambalpur. The sanctioned strength of excise field staff as on 01.04.2009 is as follows: -

<b>1.</b> Superintendent of Excise	..	27	
<b>2.</b> Deputy Superintendent	..	33	26 no. posts of Inspector of Excise has been upgraded to the post of Deputy Superintendent of Excise,
<b>3.</b> Inspectors	..	53	
<b>4.</b> Sub-Inspectors	..	205	
<b>5.</b> Assistant Sub-Inspectors	..	185	
<b>6.</b> Constables	..	1127	

### **15. BUDGET:**

15.1 The budget provision for the year 2008-09 under non-plan was Rs.2451.11lakh. Besides Rs.884.11 lakh has been provided in 1st Supplementary 2008-09. The budgeted target of collection of Excise Revenue for the year 2008-09 was Rs.610.00 crore. The collection of Excise Revenue up to the month of March, 09 is Rs.660.04 Crore. In addition to this Budget provision for 2008-09 under Plan was Rs. 217.00 lakh.

15.2 Because of non-renewal of Excise shops by the licensees and due to delay in settlement of Excise shops owing to various litigations, the collection of additional Excise revenue has been affected. Considering the relatively low per capital consumption of liquor in the State, the enhanced excise revenue target is achievable only if there is realistic expansion of excise



infrastructure. Attempts are being made to improve the infrastructure for this purpose.

**16. LIQUOR TRAGEDY COMMISSION:**

16.1 Government had appointed one man Commission of Inquiry consisting of Hon'ble Justice Sri P. K. Patra, Retired Justice of High Court of Orissa vide Excise Department Notification No. 2544 dt.4.5.2006 to enquire into the Liquor Tragedy occurred in Rambha Police Station Area of Ganjam District from 16.03.2006 to 22.03.2006 and in Golabandha area under Gopalpur P.S in the same district on 23-24<sup>th</sup> April, 2006 which took 29 lives. In the meantime the Hon'ble Inquiry Commission has submitted its report to Govt. On 20.03.08. After receipt of the Report of the Commission of Inquiry, Ganjam Liquor Tragedy, 2006 the report along with the Action Taken thereon had been placed in the 15<sup>th</sup> session of 13<sup>th</sup> Assembly.

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