

REPORT ON THE ACTIVITIES OF THE EXCISE DEPARTMENT FOR THE YEAR 2005-06

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

EXCISE POLICY:

Article 47 of the Constitution of India envisages that every State shall endeavour to bring about prohibition of the consumption except for medicinal purposes of intoxicating drinks and of drugs which are injurious to health. It is, always the avowed policy of any welfare Government to persuade people from the portentous trends of addiction. But total prohibition is an un-achievable ideal. When total prohibition was in force, it has triggered unauthorised distillation of liquor was in large scale and often people have lost their lives by drinking spurious liquor with high toxic contents. Many States have been forced to roll back from total prohibition and revert to partial prohibition regime, exercising control over the liquor trade. 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 without compromising social values.

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. 7th Schedule).

It cannot be the Policy under pinning of a welfare State for unrelented proliferation of the liquor trade. Drinking is still considered as a taboo in the society and is certainly injurious to health when touches levels of addiction. In such a scenario promoting any private person to trade in liquor has been an exclusive privilege. Any dealer in alcohol, whether a manufacturer, an importer, a wholesaler, a distributor, a bottler or retailer is to pay consideration money, tax, duty and fees as are decided by the Government from time to time.

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.

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 the 'Orissa State Beverages Corporation'. 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 expansion of licensed outlets will cater to the enhanced demands of the people of the State.

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 five years are as follows: -

| | | Percentage of growth |
|-------------------|-------------------|----------------------|
| 2000-2001 | Rs. 135.35 Crores | 17.88% |
| 2001-2002 | Rs. 197.35 Crores | 45.81% |
| 2002-2003 | Rs. 246.07 Crores | 24.69% |
| 2002-2004 | Rs. 256.69 Crores | 4.31% |
| 2003-2005 | Rs. 306.61 Crores | 19.44% |
| (Upto Dec, 04) | Rs. 176.15 crores | |
| 2005-2006 | | |
| (Upto Dec., 2005) | Rs. 223.63 Crores | 26.95% |

Thus, it would be evident that excise revenue which was marginal vis-à-vis the total revenue is gradually emerging as a major resource for the State.

IMFL AND BEER

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 697 Foreign Liquor 'Off' shops, 184 'On' shops, 13 'On' Clubs and 23 Beer Parlours in the State during 2005-06 (upto 31.12.2005).

The IMFL 'Off' shops are settled with the highest bidders obtained through auction followed by tender followed by negotiation. The collection of consideration money of the IMFL 'Off' shops upto Dec., 2005 is Rs. 27.73 Crores. Besides this 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.

OUT STILL (OS) LIQUOR:

Twenty Districts of the State namely Sambalpur, Bargarh, Jharsuguda, Deogarh, Kalahandi, Nuapada, Bolangir, Sonepur, Boudh, Koraput, Rayagada, Nawarangpur, Malkanagiri, Sundergarh, Angul, Keonjhar, Mayurbhanja Ganjam, Gatapati & Dhenkanal are having Out Still system. These Out Still shops are settled by lottery. There are 514 Nos. of Out Still shops with 548 branch shops. The collection of consideration money from the Out-Still main and branch shops upto December, 2005 is Rs. 30.19 Crore.

COUNTRY SPRIT SHOPS:

Country spirit shops is prevalent in 10 Districts namely Cuttack, Jagatsingpur, Kendrapara, Jajpur, Puri, Nayagarh, Khurda, Phulbani, Balasore and Bhadrak. The country spirit shops are settled by the way of lottery. There are 104 nos. of Country Sprit shops in the State. The collection of consideration money of Country Sprit shops is Rs. 3.84 crore upto December, 2005.

DISTILLERIES, BREWERIES AND BOTTLING PLANTS:

The State has four Distilleries, two Brewery and eleven Bottling Plants the production capacity of the Bottling Units and Brewery is 128.25 lakhs LPLof IMFL and 165 lakhs BL of Beer within the State.

LIFTING OF IMFL AND BEER:

110.11 Lakhs LPL of IMFL and 225.45 Lakhs BL of Beer were lifted during the year 2004-2005. During the current year 89.59 Lakhs LPL of IMFL and 182.31 Lakhs BL of Beer have been lifted till December,05.

PERFORMANCE OF ORISSA STATE BEVERAGES CORPORATION:

Government have taken over the monopoly in wholesale trade of IMFL and Country Sprit 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 | 2001-02 (Rs. in crore) | 2002-03 (Rs. in crore) | 2003- 04 (Rs.in crore) | 2004-05 (Rs. in crore) | 2005-06 (upto Dec.,05) Rs. in crores |
|---|------------------------------|------------------------------|---------------------------------|------------------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| (I) Excise duty | 108.25 | 137.37 | 143.72 | 164.46 | 134.03 |
| (II) Sales Tax including entry Tax. | 46.41 | 58.24 | 69.39 | 73.85 | 64.81 |
| Total | 154.66 | 195.61 | 213.11 | 238.31 | 198.84 |

The Corporation has an authorized capital of Rs. 5.00 Crores. The Government have so far subscribed Rs. 1.00 Crore towards equity and has given a loan of Rs. 1.00 Crore to the Corporation. The Orissa State Beverages Corporation is paying interest @ 24 % per annum on loan to the State Government. The Corporation has been advised to swap the high cost loom by low cost loom. The Corporation has opened its depots at Khurda, Cuttack, Berhampur, Sambalpur, Balasore and Rayagada. The Corporation has also opened Country sprit depots at Berhampur, Khurda and Balasore. In order to meet increasing demands three more depots are proposed to be opened at Keonjhar, Angual and Bolangir. The payment of the Corporation for the last three years is as follows: -

| | | |
|--|--|--|
| | | |
|--|--|--|

| 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 |

The total turn over of the Corporation is Rs. 275.43 crores for 2001-02, Rs. 347.34 crores for 2002-03, Rs. 378.00 crores for the year 2003-04, Rs. 452.38 crores for the year 2004-05 & Rs. 374.91 crores for the year 2005-06 (upto Dec., 2005)

ENFORCEMENT

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 flying squads and mobile units in the districts to ensure enforcement.

Comparative statement of enforcement activities during the first seven months of the current year against previous year (2003-2004) is furnished below: -

| | | 2003-20 04 | 2004-20 05 | 2005-06 (utp Dec, 05) |
|---|--------------------------|---------------|---------------|--------------------------|
| 1 | No. of case detected. | 31,199 | 30,541 | 23,191 |
| 2 | No. of persons arrested. | 15,885 | 15,732 | 11,438 |
| 3 | Major seized articles | | | |
| | (a) ID Liquor (lit) | 2,90,468 | 2,57,627 | 2,36,687 |
| | (b) IMFL. (L.P.L) | 8,387 | 11,652 | 4,171 |
| | (c) Beer. (B.L) | 6,536 | 10,394 | 4,854 |
| | (d) Wash (K.g) | 49,99,645 | 48,36,889 | 30,81,249 |

STEPS TO CHECK ID LIQUOR:

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 and Country spirit pouch.

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 centres.

COMPUTERISATION OF EXCISE DEPARTMENT:

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 utilised fully for the propose.

STAFF STRENGTH:

There is only 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 01.02.2006 is as follows: -

| | | |
|-----------------------------|----|------|
| 1. Superintendent of Excise | .. | 27 |
| 2. Deputy Superintendent | .. | 7 |
| 3. Inspectors | .. | 79 |
| 4. Sub-Inspectors | .. | 205 |
| 5. Assistant Sub-Inspectors | .. | 185 |
| 6. Constables | .. | 1127 |

BUDGET:

The budget provision for the year 2005-06 is Rs. 14.33 Crores. Besides Rs. 66.55 lakh has been provided in 1st Supplementary

2005-06. The Department is committed to collect Rs. 502.00 Crore excluding Sales Tax during the year 2005-06. The blanket ban imposed by Govt. on 16.11.2005 opening of new liquor shops will seriously affect the collection of projected revenue demand considering relatively low per capita consumption of liquor in the state enhanced excise revenue is only possible if there is realistic expansion of excise infrastructure in the State.

LIQUOR TRAGEDY COMMISSION:

Government had appointed one man Commission of Inquiry consisting of Sri M. N. Patnaik, District and Sessions Judge Khurda vide Excise Department Notification No. 1156 dated 24.02.2001 to enquire into the Liquor tragedy occurred in Puri and Khurda Districts during and after the first fortnight of Feb, 2001. After his retirement on 28.02.2004, Sri Patnaik was again appointed, as Commission of Inquiry vide Excise Department Notification No. 3353 dated 21.06.2004. The tenure of the Commission of Inquiry was last extended upto 5th December, 2005.

The Commission has already submitted his enquiry report to Govt. on 02.12.2005 and Govt. have also accepted the same. Several recommendations both short term and long term measures are at different stages of implementation.