

## **REPORT ON THE ACTIVITIES OF THE EXCISE DEPARTMENT FOR THE YEAR 2006-07**

The Excise Department was setup 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.

### **EXCISE POLICY:**

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 welfare Govt. 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 unauthorized distillation of liquor 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 reverted 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 with the 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. 7<sup>th</sup> Schedule).

It cannot be the Policy under pinning of a welfare State for un-relented 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: -

Year	Excise Revenue (Rs. in Crores)	Percentage of Growth
2000-2001	Rs. 135.35	17.88%
2001-2002	Rs. 197.35	45.81%
2002-2003	Rs. 246.07	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%

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 767 Foreign Liquor 'Off' shops, 181 'On' shops, 13 'On' Clubs and 27 Beer Parlours

in the State during 2006-07.

The IMFL 'Off' shops are settled by way of drawal of lottery. The collection of consideration money of the IMFL 'Off' shops during 2006-07 is Rs. 41.96 Crores. 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.

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

Twenty Districts of the State namely Sambalpur, Bargarh, Jharsuguda, Deogarh, Kalahandi, Nuapada, Bolangir, Sonapur, 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 530 Nos. of Out Still shops with 908 branch shops. The collection of consideration money from the Out-Still main and branch shops during the year 2006-07 is Rs. 52.40 Crore.

#### **COUNTRY SPIRIT 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 way of lottery. There are 148 nos. of Country Spirit shops in the State. The collection of consideration money of Country Spirit shops is Rs.5.83 crore during the year 2006-07.

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

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.

#### **LIFTING OF IMFL AND BEER:**

121.34 Lakhs LPL of IMFL and 260.89 Lakhs BL of Beer were lifted during the year 2005-2006. During the year 2006-07, 143.04 Lakhs LPL of IMFL and 239.48 Lakhs BL of Beer have been lifted.

#### **LIFTING OF COUNTRY SPIRIT**

36.11 lakh LPL of Country Spirit was lifted during the year 2005-06. During the year 2006-07, 52.55 lakhs LPL of Country Spirit was lifted.

#### **PERFORMANCE OF ORISSA STATE BEVERAGES CORPORATION:**

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		2001-02 (Rs. in crore)	2002-03 (Rs. in crore)	2003-04 (Rs. in crore)	2004-05 (Rs. in crore)	2005-06	2006-07 (Rs. in Crore)
(1)		(2)	(3)	(4)	(5)	(6)	(7)
(I)	Excise duty	108.25	137.37	143.72	164.46	210.29	242.42
(II)	Sales Tax including entry Tax.	46.41	58.24	69.39	73.85	86.18	110.43
<b>Total</b>		<b>154.66</b>	<b>195.61</b>	<b>213.11</b>	<b>238.31</b>	<b>296.47</b>	<b>352.85</b>

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

The total turn over of the Corporation during the last six year 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

## 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 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: -

		2003-2004	2004-2005	2005-2006	2006-2007
<b>1</b>	No. of case detected.	31,199	30,541	30,534	17,367
<b>2</b>	No. of persons arrested.	15,885	15,732	14,955	5,489
<b>3</b>	Major seized articles				
	(a) ID Liquor (lit)	2,90,468	2,57,627	2,77,990	1,77,094
	(b) IMFL. (L.P.L)	8,387	11,652	18,737	5,713
	(c) Beer. (B.L)	6,536	10,394	6,711	2,067
	(d) Wash (K.g)				
		49,99,645	48,36,889	26,23,503	27,55,681
	(e)				
	(f)				

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#### **DETECTION AND DESTRUCTION OF HEMP PLANT**

During the year 2006-07, the excise administration in the State have detected and destroyed following numbers of Hemp Plants in the seven (07) Districts by conducting successful raids.

Sl. No.	Name of the District	Raid period	Nos. of Hemp Plants destroyed	Approximate value (In Rs.)
1.	Angul	Nov., 2006	3,00,000	30,00,00,000
2.	Gajapati	Nov. & Dec.,	1,57,000	15,70,00,000

		06		
3.	Rayagada	Nov.,06	25,000	2,50,00,000
4.	Kandhamal	Nov. & Dec. 06	3,31,000	33,00,00,000
5.	Malkangiri	Nov. to Jan., 2006 & 2007	20,37,700	203,77,00,000
6.	Cuttack	Dec. to Jan. 2006 & 2007	6,25,000	62,50,00,000
7.	Boudh	Dec, 2006	48,000	4,50,00,000
			<b>35,23,700</b>	<b>Rs. 352.37 Crore</b>

The approximate value of total destroyed Hemp Plants is 352.37 Crore @ Rs. 1000/- per Hemp Plant. In addition to above around 30 quintals of Ganja has been seized during the year 2006-07.

#### **STEPS TO CHECK I.D. 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 centers.

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.

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 quarters of the society. Public awareness has increased and the flaw is now deterrent and many persons are behind the bar. Courts are also not granting bails. Excise offences started reducing.

#### **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 purpose.

### **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 01.04.2007 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 2006-07 was Rs. 1474.81 lakh. Besides Rs. 187.40 lakh was provided in 1<sup>st</sup> Supplementary 2006-07. The Budgeted target of collection of Excise Revenue for the year 2006-07 was Rs. 490.00 Crore. The ban on opening of new liquor shops during 2006-07 has affected the collection of projected revenue demand. Considering the relatively low per capita consumption of liquor in the state, the 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 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. The Commission of Inquiry has recorded evidence of 34 persons by 31.03.2007. The tenure of the Commission of Inquiry has been extended till 04.08.2007 for submission of report.