

EXCISE DEPARTMENT – WRITE UP

- ❖ STATE EXCISE is one of the major contributors of revenue to the exchequer of the Union Territory of Pondicherry. During the French regime the manufacture and sale of alcoholic drinks has not come under any ban. The administration itself established a distillery more than 100 years ago in Ariyankuppam for supply of arrack which was subsequently shifted to Beach Road Pondicherry. The same has been shifted to Ariyalayam as a bottling and blending unit since 1998. The wholesale and retail sale of liquor was permitted only under license. The Territory's economy depended to a large extent on the income accruing from duties on alcoholic beverages.

- ❖ The tax on arrack, toddy and liquors in the Territory came to be governed by various deliberations, decrees and arrêtes until 10 June 1970, on which date, the Pondicherry Excise Act, 1970 came into force in the Territory.

- ❖ To provide for a uniform law relating to regulation of production, manufacture, possession, import, export, transport, purchase and sale of liquor and intoxicating drugs and the levy of duties of excise thereon in the Union Territory of Pondicherry, the Pondicherry Excise Act 1970 was enacted. In the same year Pondicherry Excise Rules, 1970 were also made there under.

- ❖ The Excise Department functions under the control of Excise Commissioner who is also Secretary (Excise). The Excise Commissioner is assisted by the Deputy Commissioner (Excise), Puducherry at Headquarters and the Deputy Collectors of outlying regions of Karaikal, Mahe and Yanam, who are notified as Deputy Commissioner (Excise), in respect of their regions . The Deputy Commissioner (Excise), Puducherry is also declared as Under Secretary (Revenue), who functions under the direct control of Secretary (Excise).

FUNCTIONS

A. LICENSING POLICY:

I. **ARRACK AND TODDY SHOPS:-** The right of retail vend of Arrack and Toddy shops is auctioned every year by the Government through internet. The lease period is from 1st July to 30th June of the subsequent year. During the current lease year 129 arrack and 126 toddy shops are in existence. The details of number of arrack and toddy shops in the four regions of this Union Territory are as follows:

REGION	ARRACK SHOPS	TODDY SHOPS
Pondicherry	101	79
Karaikal	29	30
Mahe	NIL	NIL
Yanam	NIL	NIL
TOTAL	130	109

Prior to the year 2001-02 auction of arrack and toddy shops was conducted through conventional method of oral bidding. From the year 2001-02 onwards, the conventional auction was replaced by **Internet auction**. The services of “ M/s.TVS Electronics” company, Chennai were made use of to develop a software to the Department’s specifications for conduct of auctions through Website www.auctionindia.com. The salient features of the Internet auction are as follows:

The intending bidders are advised to register themselves indicating a “USER NAME” at the web-site using a password of their own choice and also register with the concerned Deputy Commissioner (Excise) on payment of requisite fees like EMD for pre-qualification of participation. For the purpose of securing anonymity they are allowed to use “alter-names” while bidding. Based on their security deposit and solvency furnished by the bidders, the bidding is limited and regulated by the programme. The auctions are held for shops in batches, commune wise with staggered timings.

Separate web-pages are used for each batch. The bidding time-limit is kept 10 minutes for each bid with auto extension of time if bid continues. Public are also allowed access to the web-site to see the progress of auction and ascertain the status of each shop on auction. All the statutory steps that are otherwise followed in oral auction are included in the process.

The internet bidding for leasing out of arrack and toddy shops is proved to be highly successful. The auction through internet has eliminated complaints of bias/favoritism and above all cartel formation. This system created a level playing field for all the competitors involved in the bidding process and generated additional revenue. The following table indicates the increase in revenue that has been generated as a result of Internet auction since 2001-02.

Financial Year	Revenue realized Rs.	Increase in revenue Rs.	Percentage of increase
2000-01	29.22 Crore	---	---
2001-02	31.84 Crore	2.62 Crore	8.97 %
2002-03	33.44 Crore	1.60 Crore	5.03 %
2003-04	42.98 Crore	9.54 Crore	28.53 %
2004-05	46.04 Crore	3.06 Crore	7.12 %
2005-06	50.47 Crore	4.43 Crore	9.62 %
2006-07	55.30 Crore	4.83 Crore	9.57 %
2007-08	60.04 Crore	4.74 Crore	8.57 %
2008-09	66.27 Crore	6.23 Crore	10.37%
2009-10	73.79 Crore	7.52 Crore	11.34%
2010-11	76.85 Crore	3.06 Crore	4.14%
2011-12	84.43 Crore	7.58 Crore	9.86%
2012-13	91.77 Crore	7.34 Crore	8.69%

II. Bottling and Blending unit set up by M/s Pudukcherry Distilleries Ltd., for supply of arrack to the vendors.

The Pondicherry Distilleries Ltd., Ariyapalayam, Villianur Commune, Pondicherry is the sole supplier of arrack to the lessees of arrack shops in Pondicherry and Karaikal regions. After the closure of the Distillery at Goubert Avenue, Pondicherry, M/s. Pondicherry Distilleries Ltd., established a new unit at Ariyapalayam for blending and bottling of arrack in the year 1997-98. This unit comes under the administrative control of the Industries and

Commerce Department of Puducherry. Here Rectified spirit is imported from other states and blended into arrack and sold to lessees on the strength of permits issued by Excise Department. Besides sale of arrack, the said Distillery also supplies Rectified spirit and De-natured spirit to the industries/Institutions. Excise duty @ Rs.4.50 per litre is levied on the arrack sold by M/s. Pondicherry Distilleries Ltd., Pondicherry.

III. IMFL Manufacturing Units.

The distillation or brewing of alcoholic drinks falls under Schedule Industry “26-Fermentation Industries” of the First Schedule to the Industries (Development & Regulation) Act, 1951 and the control of the Industries specified in the First schedule to the Act vests with the Central Govt.

Prior to 1995, license for setting up of IMFL blending units was granted by the Central Government. The Ministry of Industry, Department of Industrial Policy and Promotion, New Delhi in their letter No.10(20)/95-LP, dated 7.8.95 addressed to all State Govts./UTs clarified that the provisions of Industries(Development & Regulation) Act does not apply to units which employ less than 50/100 workers with/without the aid of power and such units can be registered by the State Governments even for those items which are covered under First Schedule of the Industries(Development & Regulation) Act, 1951. In other words, the State Governments have been vested with powers to grant licenses for manufacture of IMFL subject to the condition that the number of workers employed in the factory should be less than 50 with power or 100 without power.

There are 6 IMFL blending and bottling units in the Union Territory, the names of which and their annual production capacity are detailed below :

Sl. No.	Name of the Distillery	Date of commencement of Production	Annual Production Capacity
I.	Mc. Dowell & Co., Ltd.,	18.02.1972	7.2 lakh cases
II.	Khodays Distilleries Ltd.,	07.10.1976	2.4 lakh cases
III.	Ravikumar Distilleries Ltd.,	01.06.1999	7.2 lakh cases
IV.	Vinbros & Co.	01.10.1999	7.2 lakh cases
V.	Premier Distilleries Ltd.,	13.09.2000	7.2 lakh cases
VI.	Deekay Exports Ltd.,	04.08.2003	7.2 lakh cases

Excise officials in the grade of Revenue Officer/Tahsildar/Deputy Tahsildar are posted in these units for the effective supervision and to over see production/dispatch of IMFL. Import permits have been issued to these units based on their requests to import the raw material viz., rectified spirit/Extra Neutral Alcohol from other states in view of its non-availability of the same at Puducherry. The IMFL produced in these units have been released both for local sales and for export to other states, after due collection of Excise Duty and export fee at the prevailing rates.

The details of total production of IMFL by the above distilleries during the last 11 years are furnished below:

Sl.No	Year	Total Production (in Cases)
1	2000-2001	8,20,880
2	2001-2002	9,71,837
3	2002-2003	9,29,530
4	2003-2004	11,75,588
5	2004-2005	12,72,698
6	2005-2006	15,07,000
7	2006-2007	20,81,195
8.	2007-2008	19,52,026
9.	2008-2009	27,61,865
10.	2009-2010	23,11,986
11.	2010-2011	24,84,068
12.	2011-2012	28,13,054
13.	2012-2013	22,92,173

For IMFL units, excise duty and additional excise duty is collected on the manufacture/production of IMFL. This duty is collected before release of stock from the distillery.

IV. Brewery

M/s. SKOL Breweries Ltd - unit Sica Breweries., situated at Ayyankuttipalayam, Pondichery is the only Brewery functioning in this Union Territory which is manufacturing Beer and their annual production capacity is 2.00 lacs HL. The activities of the unit are being controlled by the Excise Staff headed by a Tahsildar. The products have been issued both for sale in the local market and for export to other states under valid permits issued by this Department after payment of Excise Duty/Export fee. Import of beer is also done by the wholesale dealers.

The particulars of production, export made, import done for the last five years are as detailed below:

Year	Total Production (in dozens)	Export made (in dozens)	Import done (in dozens)
2005-06	19,83,000	12,07,475	10,53,528
2006-07	29,63,000	20,33,392	11,46,650
2007-08	32,49,296	20,32,016	12,07,146
2008-09	35,25,007	19,65,200	12,34,500
2009-10	23,83,483	15,69,766	15,07,882
2010-11	29,47,918	20,53,740	17,76,693
2011-12	26,60,165	14,89,241	21,42,865
2012-13	27,63,513	18,11,159	20,45,995

All the above Distilleries/IMFL Blending Units/Brewery have been issued with Bonded Ware-house Licenses for keeping their raw material and finished products under bond, as per provisions of the Pondicherry Excise Rules,1970.

V. Introduction of additional excise duty

Sales tax @ 35 % was collected by the Commercial Taxes Department on IMFL and Beer. However, out of 6 distilleries, 4 distilleries have availed exemption from payment of sales tax. Only one distillery was paying sales tax and other distillery M/s. Khoday's Industries Ltd., have not produced anything for the last five years. As there was leakage of revenue to the Govt., due to exemption of Sales tax and discrimination among the distilleries, Govt. have abolished sales tax on IMFL / Beer and imposed additional excise duty on the lines of Karnataka model. This additional excise duty is nothing but an 'excise duty' on the manufactured goods. This measure was taken with effect from 23.4.2007. This yielded additional revenue to the Govt., to the extent of Rs.80 crore in the year 2007-2008. This Addl. Excise Duty was revised in January 2012 by assuming sales tax at 40 %.

VI. Introduction of hologram labels on the IMFL bottle

In order to eliminate sale of spurious / non duty paid liquor, polyester based Holograms have been affixed on all IMFL bottles with effect from 1.4.2006. This step has completely eliminated the sale of spurious / non duty paid liquor in the market.

The purchase of Hologram is from “Open Tender System”. No expenditure is involved to the Govt. as the cost of purchase is recovered from the distilleries. After introduction of hologram, revenue to the Government from IMFL has increased significantly.

VII. Licence for sale of IMFL (FL-1 & FL-2)

IM.F.L The Policy on licensing of Indian Made Foreign Liquor is reviewed from time-to-time by the Government. There are 88 wholesale licenses and 329 retail licenses for the year ending 31st March 2013, in the Union Territory of Pondicherry as detailed below:

Region	FL-1			FL-2					Grand Total
	Genl.	Coop./PSU	Total	General (With bar)	General (Without bar)	Tourism category	PAPSCO/ PASIC/ Co-Op.	Total	
Puducherry	39	2	41	130	2	66	31	229	270
Karaikal	9	1	10	36	-	6	6	48	58
Mahe	30	-	30	33	-	1	-	34	64
Yanam	7	-	7	7	-	1	10	18	25
Total	85	3	88	206	2	74	47	329	417

Licenses were issued till 1989 to the eligible applicants. During the year 1989, cabinet has imposed a ban on issue of fresh license except under the tourism category. The ban was relaxed in the year 2002 and Govt. Organisation like PAPSCO, PASIC, and Co-op organization Amudhasurabi were granted IMFL license to improve their financial health. Accordingly, new licenses numbering about 40 have been issued to Govt. Corporation and Co-operative society like PAPSCO/ PASIC/ AMUDHASURABI as detailed below :

Name of the Cooperative	No. of FL-1 license issued	No. of FL-2 license issued	Total
PAPSCO	2	18	20
PASIC	Nil	7	7
AMUDHASURABI	1	12	13
Total	3	37	40

Based on the decision taken by the Council of Ministers on 3/10/2009, the Government has decided to issue FL1 and FL2 licenses to the eligible applicants after lifting the ban on issue of licenses imposed in 1989.

The license fee for wholesale and retail licenses has also been revised with effect from 18.02.2013 as follows:

FL 1 (Wholesale)	: Rs.9 lakh per annum
FL-1 (Retail counter)	: Rs.4.5 lakh per annum
FL-1 Godown	: Rs.10,000/- per godown per annum
FL 2 (Retail with bar)	: Rs.6 lakh per annum
FL2 (retail without bar)	: Rs.4.5 lakh per annum
FL2 (Tourism category)	: Rs.4 lakh per annum

Import permits are being issued to the wholesale licensees for the import of IMFL and Beer from various other States, besides transport permits to procure the same locally from local IMFL units, after collection of Excise Duty.

Similarly transport permits are issued to the retailers to transport liquor crossing Tamilnadu area. The Government has taken a policy decision to prohibit import of IMFL whose basic price is Rs.600/- per case in February 1999. Basic price excludes all duties, levies, fees, transportation charges etc.

VIII. Enforcement Wing:-

There is a separate **Excise Squad** for the enforcement of the work of prevention of illicit Distillation/Transport/Possession of Rectified Spirit/IMFL which consists of the following staff :-

Tahsildar	: 1
Revenue Inspector	: 9
Inspector of Police	: 1
Head Constable	: 2
Police Constables	:14

The Excise Squad is conducting periodical inspections of Toddy and Arrack shops for checking the quality of Arrack/Toddy supplied there, besides collection of monthly kist. Raids are also being conducted then and there to curb the illicit activities

of the bootleggers such as illegal transport of RS, manufacture of spurious liquor etc. The details of raid conducted, quantity seized, vehicle confiscated etc. during the last 8 years are tabulated below:-

Puducherry

Sl. No.	Year	Total No. of cases		Quantity seized		Vehicle seized		
		Compounded	Referred to court	Rectified Spirit in Bulk lts	Spurious IMFL (Bottles)	Moped	Car	Tanker/Lorry
1	2002	65	27	1900	1200	1	1	2
2	2003	51	55	73190	5144	11	7	8
3	2004	67	40	63220	5711	5	2	5
4	2005	26	12	22250	6908	2	1	4
5.	2006	60	23	23412	10240	7	5	3
6.	2007	33	23	23935	12814	5	8	4
7.	2008	38	25	56020	22290	6	3	8
8.	2009	112	31	37000	43000	16	6	4
9.	2010	46	5	5000	15000	1	3	3
10.	2011	70	8	2485	11760	0	2	3
11.	2012	50	6	665	16210	2	1	4
	Total	618	255	309077	150277	56	39	48

Karaikal

Sl. No.	Year	Total No. of cases		Quantity seized		Vehicle seized		
		Compounded	Referred to court	Rectified Spirit in lts	IMFL (Bottles) in lts	Moped	Car	Tanker/Lorry
1	2003	20	9	22100	586	1	1	3
2	2004	29	8	18150	461	--	1	1
3	2005	12	4	--	77	1	--	-
4.	2006	22	4	6412	800	2	--	1
5.	2007	3	3	3285	44	2	2	2
6.	2008	-	-	-	-	-	-	-
7.	2009	-	-	-	-	-	-	-
	Total	86	28	49947	1968	6	4	7

IX. Lifting of Arracks from Distillery:

Consequent on the crack down on illicit arrack/rectified spirit launched by the excise department, the lifting of arrack from the Government owned Pondicherry Distillery by the arrack shop owners has increased significantly.

The total lifting figure which was at 47.22 lakh litres in 1996-1997 has risen to 150 lakh litres in 2009- 2010. The following is the figure of lifting of arrack from Pondicherry Distillery over the last 13 years.

**Yearwise Lifting figures of arracks from Pondicherry Distilleries Limited
for the last 13 years (from 1996-97 to 2011-12)**

(in Litres)

Lease year (July to June)	Pondicherry	Karaikal	
	Total Qty. lifted (in Lakhs)	Total Qty lifted (in lakhs)	Overall Qty lifted (in lakhs)
1996-97	34.08	13.14	47.22
1997-98	41.60	12.24	53.84
1998-99	36.44	23.10	59.55
1999-00	52.95	27.39	80.34
2000-01	62.04	26.42	88.46
2001-02	72.75	27.12	99.87
2002-03	77.65	27.28	104.93
2003-04	87.97	27.33	115.30
2004-05	97.20	34.07	131.27
2005-06	99.40	36.53	135.93
2006-07	100.20	35.40	135.60
2007-08	107.30	33.37	140.67
2008-09	115.93	37.66	153.60
2009-10	110.00	39.82	149.82
2010-11	99.16	31.25	130.42
2011-12	105.84	40.27	146.11
2012-13	103.35	44.60	147.95

The details of revenue realized under “0039-State Excise” for the last 16 years are as follows :-

Year wise total revenue realized

(Rs. In Crores)

Year	Target	Percentage of increase
1993-1994	35.66	---
1994-1995	33.92	-4.88 %
1995-1996	36.70	8.20 %
1996-1997	43.38	18.20 %
1997-1998	47.16	8.71 %
1998-1999	51.93	10.11 %
1999-2000	61.00	17.47 %
2001-2001	66.18	8.49 %
2001-2002	76.08	14.96 %
2002-2003	87.69	15.26 %
2003-2004	105.65	20.48 %
2004-2005	110.30	4.40 %
2005-2006	125.17	13.48 %
2006-2007	143.49	14.64 %
2007-2008	224.03	56.11 %
2008-2009	279.42	24.74 %
2009-2010	329.10	17.78 %
2010-2011	378.41	15.06%
2011-2012	447.36	18.22%
2012-2013	503.98	12.66%

X. General:

The Staff strength of the Department is 103 as detailed below:

Group A	-	Nil
Group B	-	19
Group C	-	62
Group D	-	28
Total	-	109

The list of posts sanctioned to the Dept., is :

Sl. No.	Name of the Post	No. of posts (Non – Plan)	No. of posts (Plan)
1.	Deputy Commissioner (Excise)	1	-
2.	Revenue Officer / Tahsildar	15	1
3.	Superintendent	2	-
4.	Inspector of Police	1	-
5.	Deputy Tahsildar	8	-
6.	Assistant	8	-
7.	Stenographer Gr.II	1	-
8.	Revenue Inspector	9	-
9.	Upper Division clerk	12	-
10.	Head Constable	2	-
11.	Lower Division clerk	1	1
12.	Police Constable	14	-
13.	Driver	5	-
14.	Stamping Smith	6	-
15.	Peon	15	-
16.	Cleaner	2	-
17.	Stamping Assistant	2	-
18.	Watchman	3	-
	Total	107	2

This office is operating following non-plan heads of accounts and the budget provisions earmarked under each head is noted against each.

2012-2013

Head of account	Amount allocated (Rs. in thousands)
2039- State Excise 001-Direction and Administration 001-(01) Office of the deputy Collector (Excise) 001 (01) – (01) Puducherry region (Non plan)	4,14,50
3475 – State Excise 106- Regulation of Weights and Measures 101- (01) Maintenance of Mobile Laboratory 106-(01)-(01)- Puducherry Region (Non plan)	43,10

The following plan schemes are also operated under modernization of State Excise and Legal Metrology as follows :

2012-2013

Head of account	Amount allocated (Rs. in thousands)
3475 – Other General Economic Services 106 Regulation of Weights and Measures 106 (02) Weights and Measures Department 106(02) (01) Puducherry region 13 – Office Expenses (Plan)	14,00

EXISTING RATES OF DUTIES/FEES
(as on 28.02.2013)

<i>Sl. No.</i>	<i>Name of the Duty/Fee</i>	<i>Rates in Rupees</i>
I.M.F.L/BEER		
1	Wholesale License (FL-1) Retail counter (FL-1) Godown (FL-1)	9,00,000 4,50,000 10,000
2	Retail License (with Bar) (FL-2)	6,00,000
3	Retail License (without Bar) (FL-2)	4,50,000
4	Retail Licence (Tourism category) (FL-2)	4,00,000
5	Excise Duty on IMFL (For liquor produced within the state & outside the State) Upto Rs.599/- per case Above Rs.600/- per case	73.00/ proof litre 80.00/ proof litre
6	Additional Excise Duty on IMFL (based on basic price per case)	(Rs. per bulk litre)
	Upto 299	41.00
	300 to 349	42.00
	350 to 399	44.00
	400 to 449	47.00
	450 to 499	50.00
	500 to 549	52.00
	550 to 599	55.00
	600 to 699	61.00
	700 to 799	66.00
	800 to 899	71.00
	900 to 999	76.00
	1000 to 1099	81.00
	1100 to 1399	91.00
	1400 to 1699	107.00
1700 to 1999	122.00	
2000 to 3999	181.00	
4000 to 5999	282.00	
6000 & above	334.00	
7	Import Fee on IMFL	6.00 / bulk ltr
8	Export Fee on IMFL	1.00 / bulk ltr
9	Excise Duty on BEER	3.75 / bulk ltr
10	Additional Excise Duty on BEER (based on basic price per case)	
	Upto 299	18.00
	300 to 399	21.00
	400 and above	24.00

11	Import Fee on BEER	2.50 / bulk ltr
12	Export Fee on BEER	0.75 / bulk ltr
RECTIFIED SPIRIT		
13	Export Fee	3.00 / bulk ltr
DISTILLERIES		
14	Distillery License (upto 5 lakhs cases) For every additional capacity of one lakh cases or part thereof in excess of 5 lakh cases in a year.	1,25,000 75,000
15	Bottling License	80,000
16	Bonded Warehouse	50,000
17	Brewery License Fee	3,00,000
Brands / label fees		
18	Label fee for new label (for distillery mfg. in Puducherry)	7,000
19	Label fee for renewal (for distillery mfg. in Puducherry)	3,000
20	Label fee for imported brand	15,000
21	Label fee for renewal of imported brand.	5,000

<u>ARRACK & TODDY</u>	
Excise Duty	Rs. 1,250/- per bulk hecto litre of pure alcohol (or) Rs.4.50/- per litre of arrack (Strength of Arrack-37)
Toddy	Tree tax per tree
	Coconut tree Rs.1/- for 6 months
	Sago palm tree Rs.4/- per year
	Palm Tree Rs.1/- per year
	Date Tree Rs.1/- per year
	Tree rent for Government Tree –Rs.1.75/- per tree per year. (to be collected by the respective local bodies)

