

CHAPTER I

EXECUTIVE SUMMARY

In the light of announcement in the budget speech for the year 2016-17 para 47 under part II, Govt. of Assam constituted a Committee with Sri R.T. Jindal, IAS (Retd.) as Chairman and 5(five) other members to make recommendation on matter such as rates of duties/taxes both under Excise and VAT in liquor keeping in mind the associated health hazards and trade diversion. The Commissioner of Excise, Assam was appointed as the Member Convenor of the said Committee. The terms of reference of the Committee has been fixed as follows :-

1. To suggest in optimum Excise Duty/ VAT structure for the state of Assam keeping in mind the resource mobilization for the State, associated health hazards and trade diversion to the neighbouring states due to less competitive pricing.
2. To suggest reforms in various permit/pass fees to protect the State revenue, local industry and employment.
3. To suggest the distance restriction criteria from educational, religious institutions, hospitals and nursing homes, National and State Highways and from shops of similar description.
4. To suggest the opening and closing hours of different kinds of licensed premises.
5. To suggest DRY DAYS in a calendar year.
6. To suggest licence Fee rates of IMFL 'OFF' and 'ON' licences to protect the interests of local unemployed youth as well as to protect the interest of State revenue.

7. To suggest a standard formula for production of IMFL per unit of ENA received.
8. To suggest reforms in licence fee and duty structure for liquor meant for defence personnel and military canteens.
9. To suggest measures for curbing illicit-fake and non-duty paid liquor and plugging revenue leakages.
10. Any other associated taxes matter related to excisable goods/commodities/services which add to the overall cost of the item vis-a-vis neighbouring States.

A copy of the Notification No. FTX.95/2016/4, dtd. 12.09.2016 is enclosed.

The State Govt. vide Notification No. FTX.95/2016/8, dtd. 19.10.2016 made certain modification in the timeline fixed originally and requested the committee to submit its recommendation in two parts keeping in view the revenue implication.

- (a) The possible areas to make quick recommendations on simple matter by 31.10.2016 &
- (b) The rest of the recommendations by 15.12.2016.

A copy of this notification is enclosed.

The Committee held its first meeting on 16th Sept, 2016. All members were present in the Office Chamber of Sri R.T. Jindal, IAS (Retd.), Chairman of the Committee at Block 'C', 2nd Floor, Assam Secretariat, Dispur, Guwahati – 06. The Committee collectively familiarized themselves with the terms of reference of the committee. The committee was seized of the larger dimension faced by the stakeholders and the resulted revenue scenario of the state after the Assam Excise Rules, 2016 coming into force.

The committee after threadbare discussion decided that it needed to invite and consider views of various stakeholders before making its recommendations. The committee also felt that the process would require at least a period of 2(two) to 3(three) months. Accordingly the committee requested the member convenor to move the Finance Deptt. to extend the time prescribed for submission of recommendations of the committee upto 15th Dec, 2016. The committee also desired that the Excise Deptt. should furnish detailed agenda notes on each of the points mentioned in the terms of reference in the Notification No. FTX.95/2016/4, dtd.12.09.2016 for perusal of the members of the committee.

The committee published a notice in a number of Newspapers both National and Local inviting views and suggestions from the interested organizations, associations and individuals on the terms of reference to be submitted on or before 5th Oct, 2016. The notification was also uploaded on the State Govt. website www.assam.gov.in/web/finance.

The committee received 60(sixty) nos. of Memorandum from various association/organizations/individuals in the initial stage. In the later stage the committee also received a few more representations. Some of the stakeholders also made brief presentation of their view points before the Chairman and Member Convenor at the time of submission of the Memorandum.

The committee initiated the process of going into the recommendations on the major issues methodically in order to formulate its reports.

The process had been somewhat long-drawn as, apart from collection and collation of statistical data on important related indicators, a study of relevant rules on similar issues prevailing in some other states, is required for preparation of the final report. The Committee therefore decided to prepare and

submit an interim report to the Government pending preparation of the final report.

In pursuance of the decision of the committee meeting held on 16th Sept, 2016 the Commissioner of Excise and member convenor of the committee vide letter No. III-195/2016-17/11, dtd. 07.10.2016 invited the Organizations/Associations to present their views before the committee, if they were willing to do the same.

The second meeting of the committee was fixed on 19.10.2016 at 11A.M. in the Office Chamber of Sri R.T. Jindal, IAS (Retd.) to discuss the agenda and to take a hearing of the organizations in response to the said invitation. A number of organizations attended the committee meeting on 19th Oct, 2016 and made their submission. The meeting was chaired by Sri Rakesh Kumar, IAS, Commissioner of Excise and member convenor in absence of Sri R.T. Jindal, IAS (Retd.), Chairman of the Committee.

The major issues put forth by the representatives along with the relevant rules and legal standing were discussed in details.

Thereafter, the committee identified the issues involved and threadbare discussion was held keeping in view the relevant rules, the interest of Govt. revenue and the inconvenience faced by the stakeholders after the Assam Excise Rules, 2016 coming into force.

The committee took up the issues as per terms of reference for detailed examination.

After detailed examination of the various aspects involved and taking into consideration the submission made by various organizations, the committee decided to make its recommendations which were enclosed in the interim report.

The Committee submitted the Interim Report on 7th December, 2016, wherein recommendations were made on several vital issues. Most of the issues contained in the Interim Report were also considered by the Cabinet.

Thereafter, the committee met several times to discuss the remaining issues as per Terms of Reference. The committee also took expert opinion from different quarters while deliberating on Point No. 1 and other relevant points of the Terms of Reference including the subject relating to suggesting an optimum Excise Duty/VAT structure for the state.

During several rounds of deliberations various aspects of the issues involved were discussed in detail. During these deliberations, the submissions made by the stakeholder were also given due consideration.

The recommendations of the Committee are enclosed in the report.

The Committee decided that any other issue not included in the recommendation made so far will be taken up and included in the third and final report.

Charts and Diagrams based on the data made available to the Committee are also attached which reflect the comparative figures in respect of license fees of different types of licenses, pattern of IMFL and Beer consumption in the State and other relevant statistics.

CHAPTER II

COMPOSITION OF COMMITTEE ON EXCISE MATTERS

1.	SHRI R.T. JINDAL	CHAIRMAN
2.	COMMISSIONER OF TAXES, ASSAM	MEMBER
3.	COMMISSIONER OF TRANSPORT, ASSAM	MEMBER
4.	DR. GAUTAM MAZUMDAR HOD, ECONOMICS DEPARTMENT, COTTON COLLEGE	MEMBER
5.	SHRI BHASKARJYOTI BORA, HOD, COMMERCE DEPARTMENT, GAUHATI UNIVERSITY	MEMBER
6.	COMMISSIONER OF EXCISE, ASSAM	MEMBER CONVENOR

CHAPTER III

COMMITTEE SITTINGS AND HEARINGS

The Committee held its first meeting on 16th Sept, 2016. All members were present in the Office Chamber of Sri R.T. Jindal, IAS (Retd.), Chairman of the Committee at Block 'C', 2nd Floor, Assam Secretariat, Dispur, Guwahati – 06. The Committee collectively familiarized themselves with the terms of reference of the committee. The committee was seized of the larger dimension faced by the stakeholders and the resulted revenue scenario of the state after the Assam Excise Rules, 2016 coming into force.

The second meeting of the committee was fixed on 19.10.2016 at 11A.M. in the Office Chamber of Sri R.T. Jindal, IAS (Retd.) to discuss the agenda and to take a hearing of the organization in response to the said invitation. A number of organizations attended the committee meeting on 19th Oct, 2016 and made their submission. The meeting was chaired by Sri Rakesh Kumar, IAS, Commissioner of Excise and member convenor in absence of Sri R.T. Jindal, IAS (Retd.), Chairman of the Committee.

The third meeting of the committee was held on 3rd Dec, 2016 at 2.30 P.M. in the Office Chamber of Sri R.T. Jindal, IAS (Retd.), Chairman of the Committee at Block 'C', 2nd Floor, Assam Secretariat, Dispur, Guwahati – 06. The committee discussed all the terms of reference and made the recommendations. In case of terms of reference point No. 1, 3, 9 and 10 the committee is of the view that the matter needs further studies and more collection of inputs and so no recommendations has been made for the moment.

The fourth meeting of the committee was held on 27nd Jan, 2017 at 2.30 P.M. in the Office Chamber of Sri R.T. Jindal, IAS (Retd.), Chairman of the Committee at Block 'C', 2nd Floor, Assam Secretariat, Dispur, Guwahati – 06. At the outset, the chairman apprised the committee members that although a number of issues was covered in the Interim Report, some vital issues including formulating a suitable ad-valorem/VAT structure need to be addressed. The Chairman informed that the revised and proposed excise duty structure is being worked out with experts. The Committee also discussed the impact the revision of excise duty might have on government revenue as well as on trade diversion.

The fifth meeting of the committee was held on 6th Feb, 2017 at 2.30 P.M. in the Office Chamber of Sri R.T. Jindal, IAS (Retd.), Chairman of the Committee at Block 'C', 2nd Floor, Assam Secretariat, Dispur, Guwahati – 06. A draft copy of the duty structure was discussed thoroughly and the revised and the proposed duty structure was approved by the members. A few points were left to be discussed on a later date.

The sixth meeting of the committee was held on 13th Feb, 2017 at 3.00 P.M. in the Office Chamber of Sri Rakesh Kumar, IAS, Member Convenor of the Committee at Office of the Commissioner of Excise, Assam, Housefed Complex, Dispur, Guwahati – 06. In the meeting the remaining revise the proposed duty structure was discussed in a threadbare manner and all the members present unanimously approved the revised and proposed duty structure.

The seventh meeting of the committee was held on 15th Feb, 2017 at 3.00 P.M. in the Office Chamber of Sri R.T. Jindal, IAS (Retd.), Chairman of the Committee at Block 'C', 2nd Floor, Assam Secretariat, Dispur, Guwahati – 06. The miscellaneous matters under the terms of reference no. 10 was discussed in

details. Taking into account all the aspects involved in the matter the committee approved a few of the miscellaneous points.

The Committee decided that any other issue not included in the recommendation made so far will be taken up and included in the third and final report.

Minutes of the meetings are enclosed herewith.

CHAPTER IV

DEPARTMENTAL NOTES ON TERMS OF REFERENCES

1.To suggest an optimum Excise Duty structure for the state of Assam keeping in mind the resource mobilization for the State, associated health hazards and trade diversion to the neighbouring states due to less competitive pricing:

The Excise duty rates were hiked with effect from 1st of June, 2015 leading to hike in MRP by 25-30% over the previous MRP. This new MRP on all products carry a difference of about Rs.1000/-to Rs.4000/- per case in case of the most popular brands. That encourages large scale smuggling of liquor from our neighbouring states like Arunachal Pradesh, Meghalaya, Tripura, Bhutan etc. This illegal influx of liquor into the State not only cause leakage of state revenue, but also raises the prevalence of black money and mafia in the liquor market which may sometime threaten the law and order situation in the state. Although from the revenue collection data it appears that there is increase in revenue due to hike in different levies and fees, there is a general decline in the consumption pattern of liquor in the state. More particularly the price difference of beer with that of the neighbouring states is too wide. Therefore to curb duty evasion and prevalence of fake non-duty paid liquor in the market a revisit to the existing Excise duty and VAT structure is

required. A comparison of Excise duty structure of pre-June, 2015 and post-June, 2015 is shown below:-

BRAND	EX-BOND PRICE (inRs.) BASIC PRICE	AD VALOREM (inRs.) Before June, 2015	AD-VALOREM LEVY (inRs.) After June, 2015	% OF INCREASE
Cheap		169	287	70%
General	599	452.79	815	80%
Regular	749	524.3	944	80%
Luxury	1199	598.9	1078	80%
Premium	3250	942.5	1697	80%
Classic	5000	2000	3600	80%
BEER (UPTO 5%)		214	300	40.19%
BEER (ABOVE 5%)		280	420	50%
WINE		245	416.50	70%

Consequent upon such increase in Excise duty, there was also a corresponding increase in VAT since it was collected @30% of the value. However, the Assam Excise Rules, 2016 introduces a new system of **MRP based Ad-valorem levy on India Made Foreign Liquor** charged on the basis of a duty multiplier on the assessed value ascertained by applying an abatement of 65% on the declared MRP. This new levy structure is a dynamic structure and therefore it depends on increase or decrease in the MRP fixed by the respective companies. The rates of levies in this new structure are revenue neutral and in order to make it price neutral, VAT was reduced from 30% to 19.25%. Therefore consequent upon introduction of this new structure there is no change in the MRP. Further the Excise duty rates were revised in June, 2015 after a gap of five years. However before taking any decision on reduction on

excise levies and VAT it is required to be ensured that the benefit derived there from is passed on to the consumers.

The revenue collection pattern of the State over the last seven years and the reasons for increase/ decrease is shown below:-

YEAR	REVENUE (in Rs. Crores)	TARGET (in Rs. Crores)	ACHIEVEMENT AGAINST TARGET
2009-10	239.11	235.89	101.36 %
2010-11	322.22	259.46	124.19 % Revenue increased due to introduction of ad-valorem levy system and enhancement of rates w.e.f. 29.9.10.
2011-12	503.22	400.00	125.80 %
2012-13	567.90	530.00	107.15 %
2013-14	616.42	609.04	101.21 %
2014-15	665.82	732.31	90.92 % Guwahati and Silchar W/H went dry. Target was 24% of the actual collection of previous year which was higher than normal enhancement.
2015-16	799.54	878.77	91% of the target.
2016-17 (till Jan'17)	744.90	1200.00	62.07% of the target till January, 2017.

From the above table it appears that Excise revenue collection has increased by almost 234.6% over the last seven years. However in spite of an increase in excise duty by 70-80% the Excise revenue increase was only by about 20% in 2015-16 over actual collection in 2014-15.

3.To suggest the distance restriction criteria from educational, religious institutions, hospitals & nursing homes, National & State highways and from shops of similar description:

It is a known fact that in spite of the directives of road safety council set up by the Hon'ble Supreme Court of India regarding establishment of liquor shops along the National and State Highways, stateslike Meghalaya and Arunachal Pradesh have established many shops on the National Highways bordering Assam. The Assam Govt. fixed the distance restrictions from the NH at 200 metres from the midpoint of the NH w.e.f.30.12.14. Thereafter as per Hon'ble Gauhati High Court order as many as 350 numbers of liquor shops located in Assam and affected by the said distance restriction had to be closed due to the said distance restrictions. However as per Assam Excise Rules, 2016 the distance criteria is now 100 meters from the midpoint of the NH and SH. However this distance restriction does not apply to Municipal Corporation, Municipality and Town Committee areas.

6.To suggest Licence Fee rates of IMFL 'OFF' and 'ON' licences to protect the interests of local unemployed youth as well as to protect the interest of State revenue:

The licence fees of various kinds of licences were last revised in June, 2015. In the amended rules the percentage of increase ranged between 200% to

900%. The increase in licence fee rates of IMFL ‘OFF’ and ‘ON’ shops is required to be rationalized.

The rate structure is given below:

KIND OF LICENCE	PREVIOUS LICENCE FEE	CURRENT LICENCE FEE
IMFL ‘OFF’	Rs.1,00,000/-	Rs.3,00,000/-
Beer ‘OFF’	Rs.30,000/-	Rs.1,00,000/-
IMFL ‘ON’ 2* and above	Rs.70,000/-	Rs.2,00,000/-
IMFL ‘ON’ in hotels	Rs.50,000/-	Rs.2,50,000/-
Beer bar	Rs.30,000/-	Rs.1,50,000/-
IMFL ‘ON’ Restaurant	Rs.50,000/-	Rs.2,50,000/-
Club ‘ON’	Rs.10,000/-	Rs.1,00,000/-
Temporary bar	Rs.5,000/- per day upto 11 PM.	Rs.10,000/-

Licence Fee is a fixed fee irrespective of volume of business. Therefore rationalization of the same will help to curb the business disparity due to location. There is a need to rationalize the licence fee vis-à-vis sale volume of the shops. Also rationalization at the stage of initial grant and renewal thereafter may be looked into.

Further it is required to rationalize the licence fees of **non-profit making Club ‘ON’** licences which are open for members only.

8. To suggest reforms in licence fee and duty structure for liquor meant for defence personnel and military canteens:

The excise duty structure for liquor meant for defence and paramilitary personnel have not been revised since 2002. The difference between civil and military rate is approx. 55% to 70% and in case of concessional RUM against Govt. allotted quota it is 80%. This huge gap in the duty rates is a major cause for leakage in revenue. In most of the States this difference in rates ranges from approx. 25%-30%. Further there is a need to rationalize the export of IMFL from duty paid CSD depot in Assam to other States. The duty structure of IMFL meant for defence personnel may be made in line with that of civil by introducing MRP based *ad-valorem* levy.

<u>EXISTING RATE DIFFERENCE BETWEEN CIVIL AND MILITARY</u>							
BRAND	CIVIL	MILITARY			TOTAL MILITARY (in Rs.)	DIFFERENCE (in Rs.)	% OF DIFFERENCE
	Ad-valorem levy (in Rs.)	EXCISE DUTY (in Rs.)	Gallonage fee (in Rs.)	Additional fee (in Rs.)			
Conc. Rum	452.79	81	16.56	0	97.56	355.23	78.45
General	815	280.98	18	54	352.98	462.02	56.69
Regular	944	357.94	18	54	429.94	514.06	54.46
Luxury	1078	429.1	18	54	501.1	576.9	53.52
Premium	1697	758.56	18	54	830.56	866.44	51.06
Classic Premium	3600	1657.5	18	54	1729.5	1870.5	51.96
Beer upto 5%	300	39	7.8	31.2	78	222	74.00
Above 5%	420	62.4	7.8	31.2	101.4	318.6	75.86
Wine Upto 42%	416	45	18	54	117	299	71.88
above 42%	990	180	18	54	252	738	74.55

9. To suggest measures for curbing illicit / fake and non-duty paid liquor and plugging revenue leakages:

Less competitive pricing, porous border, lack of enforcement infrastructure, lack of stringent provision of penalty , manual system in revenue collection, vacancy at key posts, absence of security hologram etc. contribute mainly to the prevalence of illegal and fake liquor.

CHAPTER V

ISSUES RAISED BY THE STAKEHOLDERS

1. Issues raised by the Manufactories & Distilleries:-

(a) Taxation System in Assam

- i. Sale of IMFL in Assam has declined by 29% in 2015-16.
- ii. Slabs for the purpose of duty should be rationalised and the excise duty rates should be reduced.
- iii. One new slab needs to be introduced between luxury brand and premium brands.
- iv. Slabs should also be linked to some index like the CPI to make it flexible.
- v. Slabs should be dynamic and not fixed or if fixed it needs to be reviewed periodically.
- vi. Minimum duty ceiling should be scrapped for every brand.

(b) VAT structure :-

- i. Karnataka state has no VAT system. In case of other states VAT is payable by a date fixed by Govt. In Assam also a timeline may be fixed by the government for deposit of VAT to give some relief to the

wholesalers who have been facing financial burden due to prepayment of VAT.

- ii. Sales Tax department may consider making e-challan mandatory.
- iii. The representatives also pointed out that some kind of mechanism should be devised by Sales Tax Department to prevent the misuse of challans and invoices.

(c) Mono Carton Registration :- The practice of Mono Carton registration is found in no other states except Assam. The concept should be abolished since it creates hassles because of the time consumed in the process and that there is no room for flexibility if the companies want to make changes in design of mono cartons specially during festive seasons.

(d) Transport pass fee:- Transport pass fee should be rationalised.

(e) Spurious Liquor :- Steps should be taken to prevent spurious and fake liquor.

f) Increasing of shop density in rural areas etc. may be considered by the government. The matter of issuing licenses may be considered to prevent bootlegging and illegal influx of liquor.

g) It is difficult to differentiate the legal/genuine liquor from the spurious liquor. The Companies may extend help by providing expert teams to detect fake labels etc.

h) Authentication of product :-The government may consider to take the following measures.

- i. Introduction of tracking management system.
- ii. Concept of hologram has been discarded in many countries. Moreover use of hologram will increase the cost of finished goods. Instead QR code – Temper proof seal may be introduced.

iii. Introduction of tetra pack for selling alcoholic beverages.

i) Wastage Allowances :-Very low in Assam compared to other States. All kinds of wastage should be rationalised and made comparable to the allowances given in other states.

- i. Filter wastage :-Under the existing rules there is no provision for wastage allowance in respect of filter wastage. It should be allowed by inserting a clause in the relevant rules. One percent production wastage which was allowed earlier should be restored.
- ii. Transit Wastage :- Allowances for transit wastage should also be enhanced.

j) Establishment Charges:- No further establishment charges should be levied on the licensees and the existing rates of establishment charges should be revised and reduced. Posting/attachment of all excise personnel at the manufacturing units should be rationalised and based on the volume of production of the concerned unit.

k) Ready to drink alcohol :-The matter relating to upper level of proof strength of ready to drink alcohol was also discussed in the meeting and it was decided that it should be fixed at 8% and no restriction should be fixed in lower level.

l) The Taxation Department need to examine the issues related to VAT.

m) The representatives also urged upon the committee to consider the matter of allowing sale of stock from the company warehouse to private warehouses.

n) Label and Brand Registration :-For a particular brand there should be one label registration only irrespective of the size of the bottles.

o) Reconsidering the provision of removal of bottled liquor from manufactory or Bonded Warehouse.

- p) Reconsidering the provision for security deposit on exported IMFL etc. to other states of India.
- q) Facilitating the sale of 50° UP cheap brands in MCT/CSD/Paramilitary premises.
- r) Amending the provision governing the working hours of distilleries.
- s) Realization of ad-valorem at the first point.
- t) Considering the concept of single licence for one unit.
- u) Amending the provision for cleaning and sterilizing of bottles.
- v) Amending the provision for chemical examination of samples of IMFL/Beer etc.
- w) Rationalization of licence fee structure.

2. Issues raised by IMFL Bonders' Association:-

a) Licence fee structure :-

- i. Wholesale license fee was increased from Rs.2 lakh to Rs.5 Lakh. The enhancement of wholesale licence fee should not have been more than 20% of the earlier fee of Rs 2 lakh.
- ii. In Assam, the volume of consumption has decreased due to increase in price; in contrast, other North Eastern States have registered growth in sales.
- iii. MRP of various brands has gone up. For example MRP of Mc-Dowell No.1 Whisky in Assam is Rs.320 compared to Rs.220 in Meghalaya. Similarly the difference in MRP in respect of 100 piper whisky is Rs.320 a difference of 45.4%. There is a significant difference in the MRP of beer

also. The difference in MRP per case of classic premium brand is about Rs.4200.

- iv. During dry days the volume of sale of liquor becomes higher in neighbouring states.
- v. With an annual sale of liquor at 65 lakh cases, Assam has registered a decline in sale of liquor by 29% in 2015-16.
- vi. Bank guarantee is required to be furnished for export of liquor to other states from Assam. However, there are no adequate measures to enforce check and balance to prevent leakages from the neighbouring states.
- vii. Penalty provisions in the act and rules should be made more stringent to combat the issue of such influx/leakages.
- viii. The wholesale dealers will be required to pay service tax @ 3% to Central Government from April, 2017 which will lead to total tax of 15% payable to Central Govt. This will further increase the tax burden of the licensees.

c) Excise Duty and VAT structure :-

Ad-valorem levies in Assam are high compared to the neighbouring state. Hence the rates of ad-valorem levy should be slashed to create an environment of competitiveness in the liquor industry in the region.

d) Transit Loss and Godown Wastage :-

- i. Transit loss allowance was reduced from 0.50% to 0.25% which is insufficient and should be reviewed.
- ii. In the event of loss due to theft or accident of consignments in transit, the excise levies/ VAT should be remitted on production of report from the concerned Superintendent of Excise.
- iii. The 1% allowance for godown loss which was allowed earlier should be restored.

e) Profile, Label and Mono Cartoon registration fee :- Fees in respect of Label Registration, Profile registration and Mono carton registration should be rationalized which are very high currently. Profile registration should be made one time process only without the need for annual renewal. Increase in Profile registration fee from Rs.1.00 lakh to Rs.5.00 lakh would affect the BIO brands which have low volume of sales.

f) Transport Pass fee :-Transport Pass fee should be abolished since ad-valorem and VAT are prepaid and the MRP of a product is calculated taking into consideration all levies including Transport pass fee.

g) Adjustment of license fee of Bonded Warehouse:-In respect of the Bonded Warehouse licences which have ceased to operate from 1st September,2016 following the notification of new rules, the balance licence fee may be adjusted against next year's licence fees.

h) Stock in the Bonded Warehouse :-Excise duties and VAT involved on the non-saleable products lying in the wholesale warehouses should be written off and the licensees should be exempted from the payment of such levies.

i) Extension of time limit for payment of arrears :-Extension in time for payment of arrear levies should be granted beyond the stipulated 3 months in respect of saleable stock.

j) Steps to be taken in respect of Un-saleable products :-

Regarding un-saleable stock the committee opined that the concerned Superintendent of Excise would submit a detailed report as per standard procedure after obtaining the Chemical Reports on such stock.

In case of stock unfit for human consumption the standard procedure should be followed.

k) System of issue of retail permits:-There should be a procedure for issue of permits to retail licensees on production of documentary proof showing deposit of the excise duty and VAT components to the respective wholesale licensees through bank draft or through RTGS.

3. Issues raised by the retail licensees:-

- a) Licence fee should be rationalised and reduced to make it comparable with the neighbouring states.
- b) Distance of Shops :-
 - i. Distance provision between two shops of similar description should be revised.
 - ii. Distance of 100 metres from National Highway/State Highways should be relaxed by allowing using obstructions to prevent the visibility of such shops from the highways.
- c) Excise Duty and VAT should be reduced and made comparable to rates in neighbouring states.
- d) Application fee for retail licences should be reduced.
- e) Existing shops affected by distance criteria should be exempted from the purview of the rules.
- f) The Govt. should make it mandatory to take some kind of security deposit in respect of liquor consignments meant for other states passing through the state. The same may be made refundable.

4. Issues raised by the IMFL Retail (Rural) licensees:-

- a) Licence fee should be reduced from Rs.3,00,000/- to Rs.1,00,000/-.
- b) Distance restriction from National Highways/State Highways should be reduced. A provision should be inserted in the rules to make the IMFL shops not visible from NH/SH. Such practice has been observed in the

states like Haryana, West Bengal etc. Shifting of existing shops within the distance restrictions is not possible in rural areas in majority of the cases.

- c) Pilferage and leakage of liquor from neighbouring states and Bhutan affects the business of the licensed shops in Assam.
- d) Punishment provision should be made more stringent for illegal traders. Strong enforcement measures should be taken up to curb trade of illegal liquor.
- e) Distinction between Rural and Urban areas for the purpose of distance restriction should be done away with.]
- f) Country liquor production and distribution should be modernized by improving their quality and the price should be rationalized.
- g) Shop timings should be revised.

1. Issues raised by the Hotel & Restaurant Association of Assam:-

- a) Classified Hotels should be exempted from all dry days. In respect of 3 stars to 5 star category hotels there should not be any timing restrictions. He also suggested that timing for Bars& Hotels should be upto 12 midnight.
- b) Application fee and licence fee for one day licence should be reduced from its present rates and it should be rationalized and the process of application/grant should be made online.
- c) The existing bars should not be relocated owing to distance restrictions in the event of those coming into existence before such religious place, educational institutions, hospitals and nursing homes etc.
- d) Annual Licence fee should be rationalized and reduced.

- e) There should be a single common licence applicable to all hotels, restaurants and bars to allow consumption of liquor inside the campus in lieu multiple licences for hotel, restaurant, bar etc. Such measure is necessary to simplify the process.

CHAPTER VI

RECOMMENDATIONS

- 1. To suggest an optimum Excise Duty structure for the State of Assam keeping in mind the resource mobilisation for the State, associated health hazards and trade diversion to the neighbouring states due to less competitive pricing :**

Rate of excise duty have been fixed from time to time by the State Government. In Assam, the excise duty rates were hiked w.e.f. 1st June, 2015 leading to a considerable hike in MRP. The Excise duty rates were revised in June, 2015 after a gap of five years. But the excise duty rates in the neighbouring states have been very low as compared to those in Assam. This has lead to large scale smuggling of liquor from our neighbouring country and states like Arunachal Pradesh, Meghalaya, Tripura, Bhutan etc. This illegal influx of liquor into the State cause not only leakage of state revenue, but also raises the prevalence of black money and mafia in the liquor market which may sometime threaten the law and order situation in the state. Although from the revenue collection data it appears that there is some increase in revenue due to hike in different levies and fees, but there is a general decline in the

consumption pattern of liquor in the state. More particularly the price difference of beer with that of the neighbouring states is too wide. Therefore to curb duty evasion and prevalence of fake non-duty paid liquor in the market a revisit to the existing Excise duty and VAT structure is required. A comparison of Excise duty structure of pre-June, 2015 and post-June, 2015 is shown below:-

BRAND	EX-BOND PRICE (inRs.) BASIC PRICE	AD VALOREM (inRs.) Before June, 2015	AD-VALOREM LEVY (inRs.) After June, 2015	% OF INCREASE
Cheap		169	287	70%
General	599	452.79	815	80%
Regular	749	524.3	944	80%
Luxury	1199	598.9	1078	80%
Premium	3250	942.5	1697	80%
Classic	5000	2000	3600	80%
BEER (UPTO 5%)		214	300	40.19%
BEER (ABOVE 5%)		280	420	50%
WINE		245	416.50	70%

The Assam Excise Rules, 2016 introduced a new system of **MRP based Ad-valorem levy on India Made Foreign Liquor** charged on the basis of a duty multiplier on the assessed value ascertained by applying an abatement of 65% on the declared MRP. This new levy structure is a dynamic structure as it depends on increase or decrease in the MRP fixed by the respective companies.

The revenue collection pattern of the state over the last two years is given

below :-

(Rs. in Crore)				
		2015-2016	2016-2017	
Sl No	Month	Collection of Excise Revenue	Collection of Excise Revenue	% Increase
1	April	49.14	69.17	40.76
2	May	55.15	62.89	14.03
3	June	50.94	55.92	9.78
4	July	59.32	61.72	4.05
5	August	55.85	68.23	22.17
6	September	61.05	62.67	2.65
7	October	69.86	76.58	9.62
8	November	62.38	113.98	82.72
9	December	73.92	86.54	17.07
10	January	67.06	87.20	30.03
11	February	105.97		
12	March	88.87		
	Total=	799.51	744.90	

The above chart reveals that there has been unusual increase in the month of April and November. On detailed examination it has been found that the increase in April was due to increase in license fee primarily. The increase in November was due to demonetization as the trend has been noticed in the collection of other taxes.

It is pertinent to state that the consumption of IMFL has been rising from 2011-12 to 2014-15. But due to sharp increase in the rates of excise duty in the month of June, 2015 the consumption of IMFL has gone down by approximately 25%. This will be clear from the following charts below :-

CHART (A)

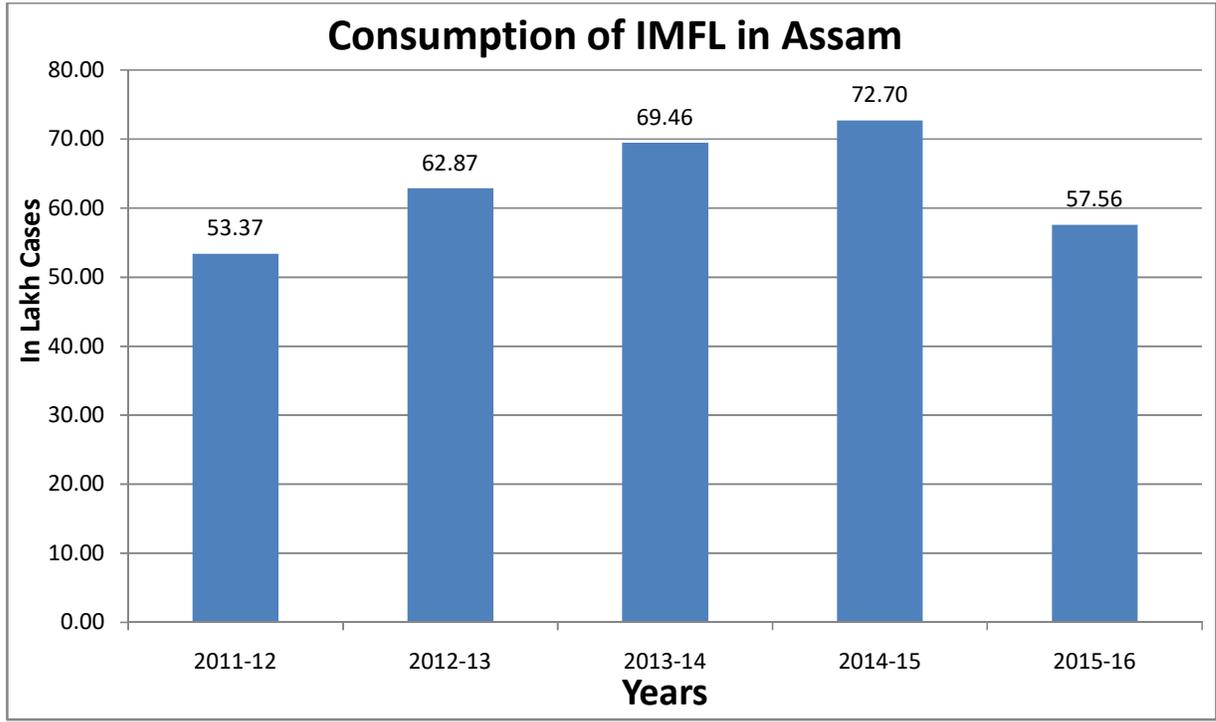
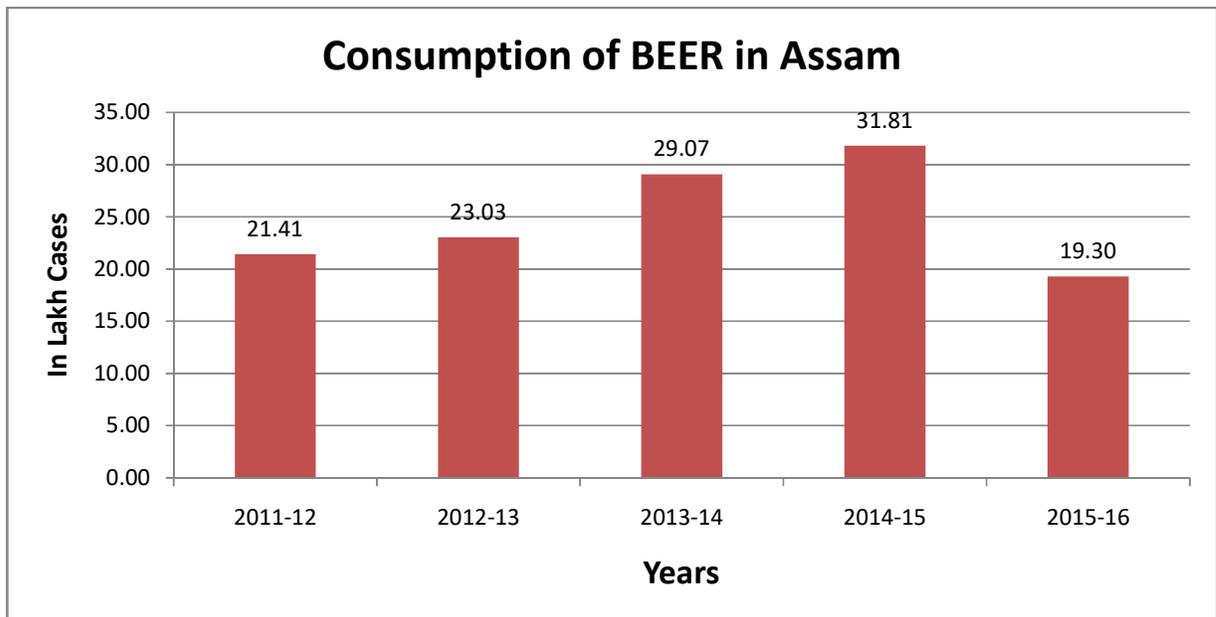


CHART (B)



The revenue and the consumption pattern of the state needs a careful look.

Whereas the rates of excise duty have increased by 80 % on an average, the

revenue has increased by 20% only. This indicates malpractices and trade diversion on large scale. This has led youth to indulge into wrong practices of smuggling. This trend has been increasing. In order to contain trade diversion and malpractices in this business, the committee has studied the previous system of excise duty rates, the present system, the structure in neighbouring states and the prevailing structure in some other parts of the country. The committee feels that it is necessary to control trade diversion, smuggling of liquor from the neighbouring states and thereby check the leakage.

As will be evident from CHART (A) and CHART (B), due to sharp increase in the rates of excise duty, there was a significant fall in the consumption of IMFL and BEER.

However, due to the rationalisation and reduction of excise duty structure which will lead to lowering of MRP of the products, the consumption will increase gradually. Although in the initial phase, the trend of revenue collection may exhibit a slight fall, the gradual increase in consumption, will in the long run lead to steady and higher growth of revenue.

At present the poor section of the society consumes spurious liquor. In order to control consumption of spurious liquor the committee is introducing cheap brand at competitive rates. This should bring considerable consumption of spurious/illicit liquor into cheap brand thereby resulting into revenue to the department and reducing health hazard.

The committee strongly feels that a reduction of excise duty to almost the level of Meghalaya will reduce trade diversion, smuggling etc. considerably. This will enhance the volume of trade in the state and resultantly the consequent benefits like increase in employment, economic activity and growth of GDP.

The committee also feels that a redesign of duty structure and rationalization of excise duties will result in higher rate of compliance and enhance collection.

Hence the committee recommends duty structure as under :-

Cheap Brand

For MRP less than or equal to Rs. 115.00 per bottle of 750 ml., Rs. 60.00 per bottle of 375 ml. and Rs. 30.00 per bottle of 180 ml. size

Rs. 25.00 per bottle of 750 ml. or proportionate to the quantity.

General Brand

MRP more than Rs. 115.00 per bottle of 750 ml., Rs. 60.00 per bottle of 375 ml. and Rs. 30.00 per bottle of 180 ml. size but equal to or less than Rs. 160.00 per bottle of 750 ml., Rs. 80.00 per bottle of 375 ml. and Rs. 45.00 per bottle of 180 ml. size.

Rs. 46.00 per bottle of 750 ml. or proportionate to the quantity. .

Regular Brand

MRP more than Rs. 160.00 per bottle of 750 ml., Rs. 80.00 per bottle of 375 ml. and Rs. 40.00 per bottle of 180 ml. size but equal to or less than Rs. 190.00 per bottle of 750 ml., Rs. 95.00 per bottle of 375 ml. and Rs. 50.00 per bottle of 180 ml. size.

Rs. 56.00 per bottle of 750 ml. or proportionate to the quantity. .

Luxury Brand

MRP more than Rs. 190.00 per bottle of 750 ml., Rs. 95.00 per bottle of 375 ml. and 50.00 per bottle of 180 ml. size but equal to or less than Rs. 260.00 per bottle of 750 ml., Rs. 130.00 per bottle of 375 ml. and Rs. 65.00 per bottle of 180 ml. size.

Rs. 65.00 bottle of 750 ml or proportionate to the quantity.

Premium

MRP more than Rs. 260.00 per bottle of 750 ml., Rs. 130.00 per bottle of 375 ml. and Rs. 65.00 per bottle of 180 ml. size but less than Rs. 600.00 per bottle of 750 ml., Rs. 300.00 per bottle of 375 ml. and Rs. 150.00 per bottle of 180 ml. size.

61% of assessed value ascertained after applying an abatement of 65% on the declared MRP subject to minimum of Rs. 90.00.

Delux Premium Brand

MRP more than 600.00 per bottle of 750 ml., Rs. 300.00 per bottle of 375 ml. And 150.00 per bottle of 180 ml. size but equal to or less than Rs. 1000.00 per bottle of 750 ml., Rs. 500.00 per bottle of 375 ml. and 250.00 per bottle of 180 ml. size

56% of assessed value ascertained after applying an abatement of 65% on the declared MRP subject to minimum of Rs. 120.00.

Classic Premium

For MRP more than Rs.1000.00 per bottle of 750 ml., Rs. 500.00 per bottle of 375 ml. and Rs. 250.00 per bottle of 180 ml. size.

40% of the assessed value ascertain after applying the abatement of 65% on the declared MRP subject to a minimum of Rs. 250.00 per bottle of 750 ml or proportionate to the quantity.

Beer Including Draught Beer

(a) Containing alcohol upto 5% v/v

0.40 times of the assessed value ascertained by applying an abatement of 65% on the declared MRP.

The Ad-valorem levy on draught beer shall be charged on the basis of its daily installed capacity @ Rs 32.00 per BL.

(b) Containing alcohol above 5% cost price range from 0 to above per case of 12 bottles of 650 ml. size or equivalent quantity or 7.8 BL.

0.58 times of the assessed value ascertained by applying an abatement of 65% on the declared MRP.

Rest of the items in Rule 19(a) will be remain unaltered.

3. To suggest distance restriction criteria form educational, religious, institutions, hospitals and nursing homes, National and State Highways and from shops of similar description :-

Since the Honourable Supreme Court has already given a detailed judgment in the matter, therefore the State Government is requested to amend the relevant rules accordingly.

Honourable Supreme Court judgement is attached at Annexure No.....

In view of the Hon'ble Supreme Court order, a total of about 1063 excise shops will have to close down. Considering the geographical conditions and other related factors prevailing in Assam, it may not be possible for many of the shops to relocate. This will have an adverse effect on the livelihood of all those who are directly or indirectly dependent on this liquor business.

The committee therefore recommends as follows :-

- 1. The Government may consider to waive off the shifting fee for the vendors who are affected by the Hon'ble Supreme Court order. (Rule 113 (d) of Assam Excise Rules, 2016)*
- 2. The Government may consider to remove the criteria imposed under Rule 288 in respect of distance between two excise shops of similar description.*
- 3. The Government may consider to exempt only the affected vendors of excise shops falling within the jurisdiction of local authority i.e. Corporation, Municipality in urban areas and Gaon Panchayat in rural areas from furnishing N.O.C. as one time relief subject to compliance of all other distance criteria as required under Rule 289 & 295.*

4. *The committee has also observed that Rule 289(I) and Rule 295 deal with the matter of public opinion and objection from the neighbours and local bodies. Although Rule 295 (II) (b) requires that objection from the owners or occupiers and residents of the neighbourhood of the shop premises involved will be considered, no specific definition of the neighbourhood has been given in the rules creating ambiguity in the matter. The committee therefore recommends that the government may consider to insert a clause in Rule 295(II)(b) to make it necessary to consider objections from the owners or occupiers and residents of the neighbourhood located within a radius of 75 meters from the excise shop.*

9. To suggest measures for curbing illicit-fake and non-duty paid liquor and plugging revenue leakages:-

The committee has observed that spurious/illicit and non duty paid liquor has been a major cause of concern. Less competitive pricing, porous border, lack of enforcement infrastructure, lack of provision for stringent punishment, manual system in revenue collection, lack of application of advanced technology in packaging, vacancy at key posts etc. mainly contribute to prevalence of illegal and fake liquor.

(A) Introduction of tetra pack :-

The Bottlers and Manufacturers' Association has submitted before the Committee that introduction of tetra pack would help the Govt combat illicit liquor in addition to first point taxation which would take care of about 15% volume growth which is being lost to unorganized market. The Association has proposed the following to tackle the challenges posed by the illicit/fake liquor :-

- Introduction of tetra pack.
- Advanced technology in lieu of hologram.
- Increasing the reach of genuine liquor by increasing Shop density.
- Introducing e-retailing of Alco Bev.

The positive impact of the above measures would :

- Help the Government to control bootlegging and spurious liquor at the time the official retail shops are closed.
- Give better control to the Government on the retail operation.
- Result in additional 10 % growth in the Government revenue.

They have further submitted that the Government of Uttar Pradesh, West Bengal, Andhra Pradesh, Karnataka, Goa and Maharashtra have introduced

selling of liquor in tetra pack. In all these states duplication and adulteration of alcohol had been a big problem.

Objective of tetra pack:

- Stop sale of adulterated liquor and its duplication
- Besides being light-weight and more hygienic, the tetra packs would have six protective-layers to keep the liquid safe
- It' will be next to impossible for anybody to tamper with the tetra packs and replace the alcohol. If anybody tries to do that, the tetra pack will be damaged permanently. So there is no question of reselling a tetra pack with spurious liquor inside.
- Duplication of tetra packs would be a very 'expensive' proposition.

The committee after careful consideration of the matter recommends that the Govt. may allow use of tetra packs for selling alcoholic beverages. The tetra packs should be duly printed with details particular.

(B) Proposal for increasing density of IMFL ‘OFF’ shops :-

A number of Stakeholders including the United Spirit Limited have submitted before the committee that there is a need to increase the density of liquor shops in Assam by allowing the grant of more retail shops(IMFL ‘OFF’). Their submission is that the easy availability of liquor through authorized channels would reduce the trade of spurious liquor and boot legging. Further, they have expressed the view that more IMFL “OFF” licenses would add to the Government revenue besides creating avenues of employment for the local unemployed youth.

A comparative analysis of the shop density vis-a vis population density and distribution of liquor shops in Assam are reflected in the following tables (Table 1 and Table 2 respectively).

Table 1: Comparative analysis of Shop Density Vis-à-Vis population

State	Each outlet coverage of Population	Population 2011 census
Tripura	45,321	36,71032
Jharkhand	32,640	32,966,238
Assam	21,175	31,169,272
Telangana	13,897	32,254,880
Andhra Pradesh	12,258	5,24,10,653
Tamil Nadu	9,530	72,138,958
Meghalaya	8,033	2,964,007
Karnataka	6,960	61,130,704
Pondicherry	4,027	1,244,464
Arunachal Pradesh	3,474	1,382,611
Andamans	2,835	379,944
Sikkim	810	607,688

Table 2: District wise analysis of the liquor shop of Assam is as below:

Sl. No	District	Headquarter	Population (2011)	No of Off Shops	No of On Shops	Total	Shop Density
1	Barpeta	Barpeta	1,693,190	25	6	29	58385.86
2	Bongaigaon	Bongaigaon	2,060,550	29	11	38	54225
3	Cachar	Silchar	1,736,319	53	32	34	51068.21
4	Darrang	Mangaldai	908,090	13	7	9	100898.9
5	Dhemaji	Dhemaji	688,077	27	38	38	18107.29
6	Dhubri	Dhubri	1,948,632	22	18	37	52665.73
7	Dibrugarh	Dibrugarh	1,327,748	88	23	115	11545.63
8	Goalpara	Goalpara	1,008,959	12	9	19	53103.11
9	Golaghat	Golaghat	1,058,674	65	46	80	13233.43
10	Hailakandi	Hailakandi	659,260	13	9	7	94180
11	Jorhat	Jorhat	1,091,295	43	59	103	10595.1
12	Karbi Anglong	Diphu	965,280	47	16	38	25402.11

13	Karimganj	Karimganj	1,217,002	40	16	23	52913.13
14	Kokrajhar	Kokrajhar	930,404	20	40	64	14537.56
15	Lakhimpur	North Lakhimpur	1,040,644	49	31	51	20404.78
16	Morigaon	Morigaon	957,853	19	12	26	36840.5
17	Nagaon	Nagaon	2,826,007	51	6	73	38712.42
18	Nalbari	Nalbari	769,919	13	13	22	34996.32
19	Dima Hasao	Haflong	213,529	13	17	15	14235.27
20	Sivasagar	Sivasagar	1,150,253	78	21	85	13532.39
21	Sonitpur	Tezpur	1,925,975	51	50	68	28323.16
22	Tinsukia	Tinsukia	1,316,948	103	31	132	9976.879
23	Kamrup	Amingaon	1,517,202	313	170	32	47412.56
24	Kamrup Metropolitan	Guwahati	1,260,419	291	138	429	2938.04
25	Baksa	Mushalpur	953,773	1	30	11	86706.64
26	Udalguri	Udalguri	832,769	10	23	12	69397.42
27	Chirang	Kajalgaon	481,818	3	11	2	240909

Assam is having about 1653 liquor shops (IMFL “OFF” and “ON”) at present . But their distribution is not uniform. On an average, a population of about 21 thousand is served by one shop. However, in some districts, there is one shop only for a population of about 50,000.

The committee has observed that, there is large disparity of distribution of IMFL “OFF” shops in the state of Assam. While there is more concentration of IMFL “OFF” shops in cities and big towns, in some cases more than the ascertained demand by a certain class of consumers, there is sparse distribution of “OFF” shops in sub-urban and Gaon Panchayat areas of various backward districts of Assam making these areas vulnerable to boot legging of spurious and smuggled IMFL. The committee, therefore recommends that the Government may consider to examine the matter of granting IMFL “OFF” shops in such areas where there is an ascertained demand of foreign liquor by a class of drinkers accustomed to drinking such liquor.

10. Any other associated taxes matter related to excisable goods/commodities/services which add to the overall cost of the item vis-a-vis neighbouring states :-

a) Wastage Allowance :-

Majority of the stakeholders representing manufactories have submitted that the total operational wastage in the manufacturing process due to reduction, blending and bottling is in the range of 1% to 3% depending on the type of blend made. Bottling loss consists of filtration loss as on line bottling loss. Proper filtration is compulsory to avoid particulate matter formation with age. Moreover, in the production of RUM, there is obscuration loss in the blending process because of high caramel content. Moreover, there is considerable loss of spirit in the transportation since many a time ENA is transported from Punjab and other distant states. They have therefore requested that the wastage allowance of 1% for blending and bottling and the transportation wastage of 1% which were allowed to them before the Assam Excise Rules, 2016 came into force ,should be restored.

The concerned stakeholders have further submitted that the limit of allowable transit wastage for finished goods should be raised from the present 0.25% to 0.50% in view of the deplorable road conditions of Assam especially the Barak Valley and the Upper Assam. The stakeholders representing the wholesale warehouses have also requested the committee to consider to make an allowance of 1% for godown wastage of finished goods for which there is no provision in the Assam Excise Rules ,2016.

In this regards, the committee has observed that the wastage allowances admissible as per provisions of Rule 76, 95, 144 & 212 of the Assam Excise

Rules,2016 are lower compared to allowable wastages for other states as will be clear from the following table:

A comparative analysis of the allowable wastage in different states across India :

State	Blending wastage	Bottling wastage	Transportation Wastage
Assam	0.25%	0.25%	0.25%
West Bengal	0.5%	0.5%	0.60%
Maharashtra	0.5%	0.5%	1%
Punjab	1%	2%	0.50%
Odisha	0.5%	1%	0.50%

The committee therefore feels that the submissions made by the stakeholders may be considered for smooth operation of the manufactories. Hence, the committee after careful consideration of the matter recommends the following:

- i) The allowable wastage for bottling and blending may be fixed at 0.5% and 0.5% respectively.*
- ii) The allowable transit loss for transportation of ENA may be retained at the present level i.e. 0.25% .*
- iii) The allowable limit for transit wastage of finished goods may be retained at the present level i.e. 0.25%.*

b) Mono Carton Registration :-

The association of manufactories/bottling units submitted before the committee that the provision of mono carton registration does not exist in other states such as West Bengal, Maharashtra and Jharkhand. The association also submitted that the practice of Mono Carton Registration creates hassles because

of the time consumed in the process and that there is no room for flexibility if the companies want to make changes in the design of mono carton especially during festive seasons. Moreover, before the Assam Excise Rules, 2016 came into force the mono carton registration and renewal fee were Rs 20,000/- and Rs 15000/- respectively. The registration fee was raised to Rs1.00 lakh in respect of Whisky, Rum and Brandy and to Rs0.70 lakh in respect of Wine, Vodka, Gin, Beer etc.

The committee has examined in detail the issue raised by the associations and is of the view that the issue raised by the stakeholders may be considered by the Government in the interest of simplification of the process and to create a favourable environment of doing business in Assam.

On enquiry, the committee was informed that registration of mono carton does not fetch much revenue. The Government earns approx. 1(one) crore amount from mono carton registration. The committee is of the view that registration of mono carton involved unnecessarily lot of efforts on part of the companies and the department.

The committee therefore recommends that the Government may consider to abolish the concept of mono carton registration.

c) Fees for Label and Profile Registration :-

Before the Assam Excise Rules, 2016 came into force, the fee for registration/renewal of brand and label was Rs.0.20 lakh in respect of Whisky, Rum and Brandy and Rs 0.15 lakh in respect of Wine, Vodka, Gin, Beer etc. The same were increased to Rs 1.00 lakh and Rs 0.50 lakh respectively w.e.f 01-09-2016.

Similarly, the Profile Registration fee in case of manufacturers who manufacture their products outside the State and intend to sell the same in

Assam was Rs 1.00 lakh. The same was increased to Rs5.00lakh w.e.f 01-09-2016. Most of the stakeholders representing the manufacturing and wholesale trade have submitted before the committee that the rates of registration fee are higher in Assam compared to other states which have higher volumes of sales. They also submitted that states like West Bengal & Karnataka etc. do not charge separate profile registration fees. The table below shows the comparative figures for some states:-

(A) Label Registration Fees:-

Assam			West Bengal	Jharkhand	Rajasthan	Haryana	Meghalaya	Mizoram	Tripura
2014-2015	2015-2016	Existing							
Rs. 20,000.00	Rs. 20,000.00	Rs. 1,00,000.00 (Whisky, Brandy, Rum) Rs. 50,000.00 (Wine, Vodka, Gin, Beer)	Rs. 30,000.00 for each brand of F.L Rs.10,000.00 for wine, cordials, cider etc.	Rs. 60,000.00 (Per Bottle size)	Rs. 25,000.00 (Per Bottle)with in state and Rs. 5,000.00 outside state.	Rs. 75,000.00 (per brand)	Rs.60,000.00 per Brand and Size	Rs. 15000.00 per Brand and Size	Rs. 60,000.00 per brand and size

The committee was also informed that the increase of 500% in the rates of label and profile registration was too high as there are many brands whose volume of sales are very low. The stakeholders have expressed their concern that following the hike in the label registration fee along with the profile registration fee, Assam with limited sales volume as compared to other states, would become unviable for the smaller companies with innovative products as well as for the local brand owners.

The committee deliberated on the matter and examined the various aspects involved. The committee is of the view that the government may

rationalize the label and profile registration fees to create a healthy environment in a competitive market.

The committee has found out that the assessed revenue from label registration is 6.00 Crores . The impacted of the reduction in the label registration fee will be less than 3.00 Crores. The reduction in rates will also attract more brands to get registered in Assam.

The committee , therefore recommends that the label registration fee may be fixed as follows.

- 1) For Whisky, Rum & Brandy: Rs 50,000/- per brand per size.*
- 2) For Wine, Vodka, Gin and similar potable alcohol preparations and beer: Rs 35,000/- per brand per size.*

Similarly, the committee recommends that the Profile Registration fee may be fixed at Rs 2.50 lakh per annum.

(d) Removal of bottled liquor from a Bonded Warehouse or Manufactory

(rule 91)

Rule 91 requires that all bottled liquor from the manufactory or bonded warehouse are required to be removed within 3 months after it is bottled . The associations representing the manufactories have submitted before the committee to reconsider the above provisions. They have submitted that the manufacturing units also produce many slow moving brands and at times these stocks are stored for more than 3 months. They also stated that there is no expiry date applicable on alcohol as per The Food Safety and Standards (Packaging and Labelling) Regulations,2011. They also quoted the first proviso to Rule 10 of the Regulations which states that : -

“.....Provided further that the declaration of best before date for consumption shall not be applicable to

- i) Wines and liquors
- ii) Alcoholic beverage containing 10 percent or more by volume of alcohol....”

The stakeholders therefore requested that the timeline of 3 months to remove the bottled liquor from manufactory or bonded warehouse should be re-considered in view of the fact that the despatch of the products depends on market demand .

The committee examined and deliberated on the matter . It is of the view that since there is no specified shelf life of liquor and some brands may remain unsold for considerable period due to their slow moving nature, the restrictions imposed by Rule 91 need to be revisited. The committee therefore recommends that the products should be allowed to store till it is fit for human consumption and the same is duly certified by the Chemical Examiner.

(e) Security deposit on export of India made Foreign Liquor etc. to other states of India {rule 35(a)}:-

Rule 35(a) of Assam Excise Rule provides for the furnishing of a security in the form of bank guarantee or interest bearing security pledged with the government which shall be equivalent to the duty involved. The security may be in the form of bank guarantee or interest bearing security pledged to the government. The same may be released by the Commissioner of Excise, Assam on receipt of verification certificate on arrival of the consignment in the importing state.

Majority of the stakeholders concerned have submitted before the committee that this clause creates huge financial burden on the local companies and small companies with limited capital as the security deposit involved would be almost equal to or more than the cost price of the product itself. They have also submitted that in the case of bank guarantee, it would be very difficult for the local companies to provide mortgage to the bank to avail it. Moreover, they informed that the bank also charges interest which adds to the cost of operations for them. Some of the manufactories have also expressed the concern that in addition to their own brands, they are also producing the brands for MNCs. The insertion of the clause for security deposit might lead the MNCs to shift the production of their brands from Assam to other neighbouring states. Such a scenario may lead to closure of the existing IMFL bottling units and Beer units in Assam. They have therefore requested that the security clause should be removed as there is already proper mechanism available in place to check and control the export of IMFL and beer to other states. Some of the stakeholders have urged that in lieu of security deposit, issuance of indemnity bond should be considered.

The committee has examined in detail all the aspects involved in the issue and is of the view that the clause regarding security deposit may be modified to address the concerns expressed by the stakeholders and to protect local industry and employment. The committee therefore recommends that the government may consider to relax the provision by allowing the manufactory/brewery to furnish 50% of the total security deposit in the form of indemnity bond or company bond and the rest 50% in the form of bank guarantee or interest bearing security.

(f) Facilitation of the sale of 50 up cheap brands in MCT/CSD/Paramilitary

premises:-

A section of the manufactories producing local brands has requested the committee to consider the matter of facilitating the sale of 50 UP cheap brands in MCT/CSD/Paramilitary Premises. The justification given in favour of their proposal is that the MRPs of the IMFL products have increased substantially in the past two years as a result of the hike in excise duty in Assam. But the MRP of country liquor has remained mostly unchanged. This has led to the loss of substantial sale of the lower segments (cheap and general segments) due to the price sensitive target customers swaying in favour of cheaper country spirit. This has been a matter of concern for the indigenous companies as they mostly operate in the lower segments of IMFL.

The committee deliberated on the matter and is of the view that the concept of introducing the sale of 50 UP cheap brands may be allowed for sale including defence and paramilitary. It therefore recommends that the government may include the matter in its policy.

g) Regarding Working Hours of Distilleries :-

Rule 515 of the Assam Excise Rule, 2016 states that all operations in a distillery, which requires the presence of an Excise Officer, shall be stopped on Sundays and on such holidays as may be prescribed by the Excise Commissioner. The distiller shall also arrange his operations in a distillery that no Excise Officer needs to be on duty for more than eight hours per diem.

Some of the stakeholders have raised the issue of working hours of distilleries as provided for in Rule 515 of Assam Excise Rules 2016. Their submission is as follows

- The operation of the units are dependent on the demand and supply
- Huge number of casual labourers are employed in the units who works in shifts.
- Due to the technical needs manufacturing is to be done within a specific time.

They have further submitted that whereas other industries have freedom to operate manufacture, purchase and sell as per their need and market conditions , the provision of Rule 515 has imposed certain restrictions on the working hours of the distilleries. They have therefore proposed the following

- The units should be allowed to produce throughout the year without any restrictions.
- This would create opportunity for employment for the local people who are engaged in the units as casual workers/daily wage labours
- Excise should be able to depute officials in shifts so that the operation of the units can continue seamlessly

The committee examined the matter and feels that the issues raised by the stakeholders may be considered by the government in the interest of the industry and in the interest of government revenue and therefore recommends that the government may consider to amend the said provision if distilleries/breweries/manufactories applied for providing additional men power at least one month in advance for supervision during additional hours of operation at their own cost. The establishment charges for the night shift will be on the higher side duly fixed by the Commissioner of Excise.

h) Regarding realization of ad-valorem at the first point i.e at the

Manufacturing Level :-

Under the Assam Excise Rules, 2016 the ad-valorem levy and VAT are paid by the wholesale warehouses before procuring the finished goods from the manufacturing units. A section of the stakeholders has proposed that Govt. may realize advalorem levy on 1st point i.e at the manufacturing level and VAT at the 2nd point of sale i/e at the wholesale warehouse level. Such a move, according to them will help them stock a wide range of products. Point of taxation varies from state to state. Some of the States like West Bengal, Jharkhand and Maharashtra are imposing VAT and Excise Duty at the first point while some states are collecting the same at the second point. . The following table shows the point of realisation of Excise duty and VAT of some states.

States	Excise Duty	Sales Tax / VAT
Assam	Second (wholesale)	Second (wholesale)
Uttarakhand	First (ex-Distillery)	Second (Wholesale to Retail)
Kerala	First (ex-Distillery)	When consumer picks up the bottle from the retail shop
Odisha	First (ex-Distillery)	Second (ex-OSBCL warehouse to retail)
Jharkhand	First (ex-Distillery)	First
Himachal Pradesh	First (ex-Distillery)	Second (ex-wholesale to retail)
Chhattisgarh	Second	Second
West Bengal	First (ex-Distillery)	First
Maharashtra	First (ex-Distillery)	First
Karnataka	First (ex-Distillery)	No VAT

The committee after detailed examination is of the view that imposition of the advoleram levy at the first point i.e. manufactory will lead to easier collection of Govt. revenue and monitoring. Therefore the Govt. may consider imposition of advoleram levy at the first point and VAT at the second point of sale i.e. at wholesale warehouse.

(i)Single common license applicable to all Hotels, Restaurants and Bars :-

There are different kinds of IMFL “ON” licenses covered by the following rules as per Assam Excise Rules, 2016. They are categorized as Hotel License(Rule 115), Restaurant License(Rule 116) and Bar and Restaurant License in a Hotel (Rule 117).

The rates of license/renewal fee of such licenses are as follows :

Sl. No.	Kind of License	Existing License fee	Proposed License fee
1	IMFL ‘ON’ Five Star and above`	Rs. 4,00,000.00	Rs. 4,00,000.00
2.	IMFL ‘ON’ two star and above but below five star	Rs. 2,00,000.00	Rs. 1,00,000.00
3.	IMFL ‘ON’ in Hotels in Urban areas	Rs. 2,50,000.00	Rs. 1,50,000.00
4.	IMFL ‘ON’ in Hotels in Rural areas	Rs. 1,00,000.00	Rs. 1,00,000.00
5.	IMFL ‘ON’ in Restaurant in Urban areas.	Rs. 2,50,000.00	Rs. 1,50,000.00
6.	IMFL ‘ON’ in Restaurant in Rural areas.	Rs. 1,00,000.00	Rs. 1,00,000.00

Moreover, Rule 118 provides for a temporary bar license for fairs, festivals (except national and religious festivals), meetings and private entertainment. The license fee for such temporary bar is Rs 10,000/- per day. The proposed licence fee for the same is Rs. 7500/- per day.

The Hotel and Restaurant Association of Assam in their meetings with the Committee have submitted that there should be a single common license applicable to all hotels, restaurants and bars to allow consumption of liquor inside the campus in lieu of multiple licenses for hotels, restaurants and bars. They also submitted that such a measure is necessary to simplify the process involved in the grant of various licenses. They also requested the Committee that the application fee and license fee for one day license should be reduced from the present rates.

The Committee examined the various aspects involved in the matter. It feels that for the purpose of simplification of the entire licensing process, the issue raised by the above named Association may be considered by the government.

The Committee therefore, recommends that the government may consider inserting a provision in the Rules allowing granting single license for Hotel cum Restaurant cum Bar. The license fee for such a single common license may be fixed at a lower rate than the total fees payable if the three licenses were granted separately.

(j) Single Licence for one unit :-

The committee has observed that under the provisions of the existing rules, for establishing and working of a distillery, brewery and IMFL manufactory two to four licences are required.

The licences required to operate such units are as mentioned below:-

Sl. No.	Types of Unit	Licences required
1.	Distillery	(a) Distillery licence (b) Bonded Warehouse Licence
2.	Brewery	(a) Brewery Licence (b) Bottling Licence (c) Bonded Warehouse Licence (d) Wholesale Warehouse Licence
3.	IMFL Manufactory	(a) Compounding & Blending Licence (b) Reduction & Bottling Licence (c) Bonded Warehouse Licence (d) Wholesale Licence

Due to the requirement for obtaining multiple licences to establish and work a unit, the processes involved from the stage of application for licences to the stage of granting of the same become complex and time consuming.

The committee deliberated on the matter and feels that for simplification of the processes such units may be allowed to operate under a single multipurpose licence by merging the separate licences and fixing a suitable licence fee.

The committee, therefore, recommends that government may examine the feasibility of merging the various licences required to operate a distillery, brewery and manufacturing unit within the same premises for the company owned products only and issue a single multipurpose licence for establishing and working a particular unit.

(k) Cleaning and Sterilizing of bottles:-

Assam Excise Rules, have a provision for cleaning and sterilizing of bottles. Rule 92 states that the bottles to be used for bottling the foreign liquor shall be

cleansed and washed first with a solution of potassium permanganate and then with pure water. They shall finally be revised with a quantity of liquor to be bottled.

The concerned stakeholders submitted before the committee that clean bottles used in bottling come in cardboard packaging and shrink wrap. During cleansing, an advanced process of washing with RO & DM Water with micron filtration are adopted. This is a well established practice followed by all leading manufacturing units including Multinational Companies.

Potassium Permanganate is a strong oxidizing agent and any traces of it left after washing would in fact harm the product more. In traces, it will affect the shelf life of the product as well and hence Potassium Permanganate should not be used in cleaning of any liquor product.

The committee after careful consideration of the matter is of the view that the provision for use of potassium permanganate may be done away with in view of the harmful effect it may have and that the companies may be allowed to follow appropriate procedure to ensure proper cleaning and maintaining hygiene.

(1) Chemical testing of each batch of IMFL/Beer produced :-

The committee has received a memorandum from various stakeholders in the manufactory business. Their submission is that the practice of chemical testing of every batch of IMFL/Beer in the chemical laboratory of the state government in its present form is labour intensive and time consuming. With the increase in the number of manufactories in the state the volume of work has increased manifold. However, the manpower available in the state government Chemical Laboratory is not proportionate to the increase in work. Moreover, the manufactories function on government holidays and the sample of IMFL/Beer

batches produced on these days cannot be sent for analysis as the government laboratory is closed on holidays. This leads to huge backlog of work hampering in the dispatches of consignment from the manufactories.

The stakeholders are of the opinion that since each manufactory has a fully equipped laboratory with qualified personnel/chemist to ensure quality the chemical report can be generated from the individual laboratory of each manufactory under the seal and signature of the manufactory.

Moreover, the committee was informed that presently the key posts in the office of the Chemical Examiner, Assam in the rank of Chemical Examiner, Deputy Chemical Examiner and Asstt. Analysts are vacant which has affected the smooth functioning of the office. The committee was further informed that the present incumbent who is acting as the chemist is due to retire in a few months. This will bring the functioning of the office to a standstill affecting the despatch of liquor from the manufactories.

The committee has examined the matter in detail and is of the opinion that prompt chemical examination and generation of report is essential for smooth despatch of consignments from the manufactories.

The committee therefore recommends that the government may consider allowing the manufactories including breweries to set up/upgrade their own labs as per norms to be fixed by the government and generate reports as per prevailing practice in West Bengal.

(m) Rationalization of Licence fee of different kinds of licences :

The committee has received several representations from various stakeholders wherein they have pointed out that the steep hike in the rates of licence fee of different kinds of licences has added to the cost of production as

well as to operational cost of their business. This in turn has affected the viability of their business. The stakeholders have requested the Committee to look into the matter favourably and rationalize the rates of licence fees.

The Committee examined the matter and also took into consideration the various aspects including the prevailing licence fee structure in some neighbouring states.

The Committee was informed that the licence fees of various kinds of licences were revised in 2015-2016. In the amended rules the percentage of increase was in the range between 100% to 900%.

The Committee feels that the steep increase in the rates of licence fees may have a negative impact on the overall business environment of the distilleries, breweries, manufactories and wholesale and retail trading of liquor in the state by adding to the cost of production and cost of operation. Hence, there is a need to rationalize the licence fee structure.

The Committee, therefore, recommends that the government may consider bringing about a rationalization in the licence fee structure prevailing in the state in line with the proposed rates attached in the report.

**STATEMENT SHOWING PREREVISED, REVISED AND PROPOSED LICENSE FEES OF
DIFFERENT KINDS OF LICENSES**

SL. NO.	Types of Licence	Production Capacity	Annual/Re newal license fee 2014-15 (In Lakh)	Annual/Re newal license fee 2015-16 (In Lakh)	Hike in Percent age	Production Capacity	PROPOSED (In Lakh)
1	Distillery license	Upto 30 lakh LPL per annum	10.00	20.00	100%	Upto 50 lakh LPL per annum	15.00
		From 30 lakh to 60 lakh LPL per annum	20.00	40.00	100%	Above 50 Lakh per annum	30.00
		Above 60 lakh LPL per annum	25.00	50.00	100%	Above 60 lakh LPL per annum	37.50
2	a) Brewery License	Upto 80 lakh LPL per annum	10.00	20.00	100%	Upto 80 lakh LPL per annum	15.00
		Above 80 lakh LPL per annum	15.00	30.00	100%	Above 80 lakh LPL per annum	22.50
	b) Brewery Bottling License	Upto 80 lakh LPL per annum	1.50	3.00	100%	Upto 80 lakh LPL per annum	2.25
		Above 80 lakh LPL per annum	2.00	4.00	100%	Above 80 lakh LPL per annum	3.00
3	IMFL Compounding & Blending		1.50	3.00	100%		2.25
4	Reduction & Bottling	Upto 30 lakh LPL per annum	1.50	3.00	100%		2.25
5	IMFL Bonded Warehouse	Bond limit upto Rs. 50 lakh	1.50	4.50	200%	Bond limit upto Rs. 50 lakh	2.25
		Bond limit from 50 lakh and one to 1 crore	2.50	7.50	200%	Bond limit from 50 lakh and one to 1 crore	3.75
		Bond limit 1 crore and one and above	5.00	10.00	100%	Bond limit 1 crore and one and above	7.50

SL. NO.	Types of Licence	Existing criteria	Annual/Re newal license fee 2014-15 (In Lakh)	Annual/Re newal license fee 2015-16 (In Lakh)	Hike in Percent age	Revised Criteria	PROPOSED (In Lakh)
6	IMFL Wholesale		2.00	5.00	150%		3.00
7	Beer 'OFF'		0.30	1.00	233%		0.45
8	Club 'ON'		0.10	1.00	900%		0.15
9	Temporary bar		0.05	0.10	100%		0.075
