

**NOTIFICATION**

Whereas, the draft of the Karnataka Excise (Regulation of Yield, Production and Wastage of Spirit, Beer, Wine or Liquors) Rules, 1997 was published as required by sub-section (1) of the section 71 of Karnataka Excise Act, 1965 (Karnataka Act 21 of 1966) in notification NO.FD14 PES 94 dated 15<sup>th</sup> September, 1997 in part- IV section 2C(i) of the Karnataka Gazette (Extraordinary) inviting objections Suggestions from all persons likely to be affected thereby within thirty days from the date publication of the draft in the official Gazette;

And Whereas, the said Gazette was made available to the public on the 15<sup>th</sup> September, 1997:

And Whereas, the objections and suggestions received within the period specified above, have been considered by the Government;

Now, therefore, in exercise of the powers conferred by section 71 of the Karnataka Excise Act, 1965 (Karnataka Act 21 of 1966) the Government of Karnataka hereby makes the following rules namely:-

1. **Title and Commencement:-** (1) these rules may be called the Karnataka Excise (Regulation of Yield, Production and Wastage of Spirit, Beer, Wine or Liquors) Rules, 1998.  
(2) They shall come into force on the date of their publication in the official Gazette.
2. **Definition:-** In these rules unless the context otherwise requires,-
  - (a) "Act" means the Karnataka Excise Act, 1965 (Karnataka Act 21 of 1966)
  - (b) "Commissioner" means the commission for Excise in Karnataka;
  - (c) "Distillery officer" means an Excise officer in charge of the Distillery, Brewery, Winery or manufactory;
  - (d) "Licence" means a licence granted under the Act or the rules made thereunder;
  - (e) "Licensee" means a person to whom a licence is granted;
  - (f) "Schedule" means a Schedule appended to these rules.

3. **Minimum Production of Spirit, Beer, Wine Liquors:-** the Production or yield of Spirit, Beer, Wine or Liquors as the case may be, from the raw-material used in a distillery/Brewery/Winery or Manufactory licenced under the Act or the rules made thereunder, shall not be less than the quantity specified in schedule-A.
4. **Maximum wastage of Sprit, Beer, Wine or Liquors:-** the Maximum Permissible wastage during the production or processing of Spirit Beer, Wine or Liquor as the case may be, from the raw-material, used in any distillery/Brewery/Winery or manufactory licensed under the Act or the rules made thereunder, shall not exceed the quantity specified in Schedule-B.
5. **Drawal of molasses samples:-** (1) the Distillery Officer shall draw three samples of molasses at the time of preparation of wash from molasses and all such samples shall be scaled by him. One sample shall be sent to the Government Chemical Laboratory, the second one shall be handed over to the Distillery for analysis in the Laboratory of the Distillery and the third one shall be kept with the Distillery officer.

(2) On receipt of report from the Government Chemical Laboratory, Distillery officer shall calculate the minimum quantity of rectified spirit that could be produced by the Distillery on the basis of the minimum quantity specified in schedule-A. If the yield or production of such Rectified spirit, is below the minimum specified in schedule-A, the Distillery officer shall after obtaining the explanation of the Distillery, if any, send a report to the Excise Commissioner, along with his comments on the explanation offered by the Distiller.
6. **Suspension or cancellation of licence:-** where a licensee fails to maintain the minimum quantity of yield or production of spirit, Beer, wine or liquor specified in schedule-A or the maximum quantity of wastage during production or processing of Spirit beer, wine or liquor as specified in schedule-B, the licensing Authority may, with prior approval of the Government, suspend or cancel the licence given to the Distillery, Brewery, Winery or Manufactory and may also forfeit the security deposit, if any.
7. **Penalty for failure to produce the minimum quantity:-** Where the Excise Commissioner on examination of the report of the Distillery Officer, if any and after holding such an enquiry as he deems fit, is of the opinion that there is no justifiable reason for the licensee to show such short production, not withstanding anything contrary contained in any other rules, he may in lieu of cancellation or suspension of licence or forfeiture of security deposit,-

- (i) in the case of a spirit produced out of molasses, impose. a fine equivalent to the rate of excise duty levied on brandy or whisky under the Karnataka Excise (Excise duties and Fees) Rules, 1968 on such quantity of short production of Spirit;
- (ii) in the case of beer, wine or other liquor impose a fine equivalent to the fee or excise duty leviable under the Karnataka Excise (Excise Duties and Fees) Rules, 1968 on such quantity of short production of beer, wine or other liquors;

Provided that no such fine shall be imposed unless an opportunity of being heard is given to the aggrieved licensee:

Provided further that no such fine shall be imposed if a licensee proves to the satisfaction of the Excise commissioner that such short production is for reasons beyond the control of the licensee.

- 8. Penalty for excess wastage or loss:-** where the Excise Commissioner on examination of the report of the Distillery Officer and after holding such an enquiry as he deems fit is of the opinion that there is no justifiable reason for the licensee to exceed the maximum limit of wastage in the process or production of spirit as specified in Schedule-B, notwithstanding anything contrary contained in any other rules, may in lieu of cancellation or suspension of licence or forfeiture of security deposit, if any, impose the penalty at the rate of equivalent to the rate of excise duty liveable on beer, wine or other liquors under the Karnataka Excise (Excise Duties and Fees) Rules, 1968 on Such reported excess wastages;

Provided the no such fine shall be levied unless an opportunity of being heard is given to the aggrieved licensee;

Provide further that no such fine shall be levied if it is proved to the satisfaction of the Excise Commissioner that such excess wastage are for reason beyond the control of the licensee.

By order and in the Name of the  
Governor of Karnataka

**(M.S. Swamy)**

(Under Secretary to Government  
Finance Department (Excise))

**SCHEDULE-A**  
**(See Rule,3)**

1. QUANTUM OF PRODUCTION OF CERTAIN PRODUCTION WITH REFERENCE TO THE BASIC INGREDIENTS/RAW MATERIALS

Name of the Products	Basic ingredient/raw materials	Minimum production
(a) Beer	Malt	6500 litres of Beer for every 1,000 kgs of malt used. Such Beer to further processed as per para. II(a) in Schedule-B
(b) Malt Spirit	Malt	325 proof litres of spirit for every metric tonne of malt
(c) Grape Spirits	Grapes	45 litres to Spirit of 140 proof for every metric tonne of grapes.
(d) Spirit from coconut toddy	Toddy containing 6% V/V alcohol	6 proof litres of spirit for every 100 litres toddy
(e) Wine	Grapes	45 litres for every 100 kgs. Of grapes
(f) Rectified spirit( 166 proof)	Molasses as per ISI specification IS-1162	
	(i) Grade-I	220 bulk litres of 166 proof or 365 proof litres.
	(ii) Grade-II	200 bulk litres of 166 proof or 330 proof litres.
	(iii) Grade-III	180 bulk litres of 166 proof or 300 proof litres.

Note: (1) The production of Rectified Spirit from Khandasari Molasses shall be not be less than the production from Grade I molasses.

(2) In case of molasses below 'C' grade special approval of Excise Commissioner must be obtained before distillation.

In case the Excise Commissioner permits distillation of such molasses, he shall also prescribe the minimum production of spirit from such molasses and thereafter the minimum production so fixed will be deemed to have been fixed under these rules.

(3) The distillers are permitted to draw spirit with the strength lower than 166 proof to the extent of 7% at the time of primary distillation provided that the concentration of alcohol in the spirit so draw shall not be less than 88% v/v. The total quantity of rectified spirit and lower strength spirit drawn should

correspond to the minimum production specified above having regard to the alcohol content.

- (4) In order to bring the low percentage of alcohol to 88% redistillation becomes necessary and therefore a 2% loss is allowed for this purpose in addition to 3% loss already allowed in item in item No.II (b)(i) of Schedule-B, and thus the total loss shall not exceed 5%.
- (5) For the manufacture of Indian made liquors (Brandy Whisky etc.,) and arrack, the basic material is Rectified Spirit of not less than 166° proof such spirit has to be reduced to a strength of 75° proof or 65° proof depending on whether IML or arrack is the final product. In actual practice it is not possible to reduce a spirit of higher proof to the exact power proof required even though water is added exactly according to the technical tables. There is bound to be a small variation, be it over proof under –proof. Since duty is chargeable on the proof strength of the liquor. It is necessary to prescribe a tolerance of 0.5° in this behalf. Thus, for example, in the case of arrack, the strength of 35.5° UP to 34 34.5° UP can be taken as 35° UP for purpose of charging duty. This allowance is admissible at the manufacturing point only.

By Order in the Name of the  
Government of Karnataka

**(M.S Swamy)**

Under Secretary to Government  
Finance Department (Excise)

**SCHEDULE-B****(See Rule 4)**I. Wastage in transit storage shall not exceed wastage/loss:-

- |   |   |              |
|---|---|--------------|
| (a) Transit wastage of molasses of all grades if transported by Road.   | : | One percent. |
| (b) Transit wastage of molasses of all grades if transported partly by Road, and partly by train                              | : | Two percent  |
| (c) Transit wastage of rectified spirit if transported in metal containers from the distillery to the other processing place. | : | One percent  |
| (d) Storage loss of molasses for all grades.  | : | One percent  |

II. Losses in the manufacture of potable liquors:-

- |   |   |                                      |
|---|---|--------------------------------------|
| (a) Beer  |   |                                      |
| (i) Primary fermentation followed by chilling   |   |                                      |
| (ii) Centrifugal and separation.  |   |                                      |
| (iii) Filtration and carbonation followed by storage in tanks.  | : | The overall loss shall not exceed 7% |
| (iv) Filling of beer into bottles   |   |                                      |
| (v) Pasturisation and labelling   |   |                                      |
| (vi) Crowning   |   |                                      |
| (vii) Warehousing   | : | The overall loss shall be exceed 6%  |
| (b) <u>I.M.L (Brandy, Whisky etc.)</u>  |   |                                      |
| (i) Redistillation of Spirit  | : | Three percent                        |
| (ii) Process of reduction, evaporation blending storage, bottling and warehousing including loss due to evaperatotion and breakage. | : | Five percent.                        |

III. Maturation loss:- loss in maturation of reduced, blended or compounded spirit for manufacture of I.M.L.

<u>Period of maturation in wooden casks</u>		<u>Percentage of loss wastages shall not exceed</u>
6 months	:	3%
12 months	:	6%
18 months	:	12%
24 months	:	15%
36 months	:	22%
IV. <u>Bottling and handling loss</u>	:	<u>Maximum</u>
Bottling and handling loss of wine.	:	Two percent

By order and in the Name of the  
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**(M.S Swamy)**

(Under Secretary to Government  
Finance Department (Excise))