

KARNATAKA ACT NO. 27 of 2007
THE KARNATAKA EXCISE (AMENDMENT) ACT, 2007
Arrangement of Sections

Sections:

1. Short title and commencement
2. Substitution of section 16A
3. Substitution of section 16B
4. Amendment of section 37
5. Amendment of section 43
6. Substitution of section 51A

STATEMENT OF OBJECTS AND REASONS

Amending Act 27 of 2007.- In the Budget speech for the year 2007-08, it has been announced banning of sale of arrack in the State from 1st July 2007. Hence, it is considered necessary to amend section 16A and 16B of the Karnataka Excise Act, 1965.

It is considered necessary to prevent hooch tragedies which occurred in Bangalore and Hassan districts recently, claiming 45 lives and one of the main causes of these tragedies has been the sale of illicit arrack and spurious and adulterated liquor by unauthorized vendors in unauthorized places. In order to prevent recurrence of such tragedies, it is proposed to amend section 37 by introducing stringent punishment to the persons who indulge in adulteration of liquor with harmful poisonous substances or chemicals or methyl alcohol or any other poison as defined in Indian Poisons Act, 1919 or substances, which endanger human life or cause grievous hurt to human beings.

It is considered that public Transport vehicle belonging to the Karnataka State Transport Undertaking shall not be confiscated when an offence is reported under the provisions of the Karnataka Excise Act, 1965. Therefore an amendment to section 43 is proposed.

Section 51 A is proposed to be substituted to empower the state Government to prescribe the conditions and restrictions subject to which accounts or records of every licensee shall be audited by a cost Accountant.

Hence the Bill.

[L.A.Bill No. 39 of 2007]

[Entry 51 of List II of the Seventh Schedule to the Constitution of India.]

Karnataka Act No. 27 of 2007

(First Published in the Karnataka Gazette Extra-ordinary on the twenty ninth day of August 2007)

THE KARNATAKA EXCISE (AMENDMENT) ACT, 2007

(Received the assent of the Governor on the twenty fifth day of August 2007)

An Act further to amend the Karnataka Excise Act, 1965

Whereas it is expedient further to amend the Karnataka Excise Act, 1965 (Karnataka Act 21 of 1966) for the purposes hereinafter appearing;

Be it enacted by the Karnataka State Legislature in the fifty-eighth year of the Republic of India, as follows:-

1. Short title and commencement.- (1) This Act may be called the Karnataka Excise (Amendment) Act, 2007

(2) Section 2 and 3 of this Act shall come into force with effect from the 1st day of July, 2007 and the remaining provisions shall come into force at once.

2. Substitution of section 16A.- In the Karnataka Excise Act, 1965 (Karnataka Act 21 of 1966) (hereinafter referred to as the principal Act), for section 16A, the following shall be substituted, namely:-

“16A. Prohibition on grant or renewal of licence for manufacture, bottle or manufacture and bottle Arrack for sale etc.,- (1) Notwithstanding anything contained in this Act or rules made thereunder, no licence to,-

- (a) manufacture; or
- (b) bottle; or
- (c) manufacture and bottle;

arrack for sale shall be granted or renewed to any person with effect from the 1st day of July, 2007.

(2) Notwithstanding anything contained in this Act or rules made thereunder or in any judgement, decree or order of any court, every licence granted to,-

- (a) manufacture; or
- (b) bottle; or
- (c) manufacture and bottle;

arrack for sale shall be ceased to be valid on the expiry of 30th day of June 2007:

Provided that nothing contained in this section shall affect any obligation or liability in respect of such licence granted before the 1st day of July, 2007.”

3. Substitution of section 16B.- In the principal Act, for section 16B, the following shall be substituted, namely:-

“ 16B. Prohibition on grant or renewal of lease or licence to sell arrack.- (1) Notwithstanding anything contained in this Act or rules made thereunder, no lease of right, the exclusive or other right,-

- (a) of manufacturing or supplying by wholesale or of both; or
- (b) of selling by wholesale or by retail; or

- (c) of manufacturing or supplying by wholesale or of both and of selling by retail of arrack

shall be granted or renewed with effect from the 1st day of July 2007.

(2) Notwithstanding anything contained in this Act or rules made thereunder, or in any judgement, decree or order of any court, every lease of right, the exclusive or other right,-

- (a) of manufacturing or supplying by wholesale or of both; or
- (b) of selling by wholesale or by retail; or
- (c) of manufacturing or supplying by wholesale or of both and of selling by retail of arrack

shall be ceased to be valid on the expiry of 30th day of June 2007:

Provided that nothing contained in this section shall affect any obligation or liability in respect of such lease of right the exclusive or other right.”

4. Amendment of section 37.- In section 37 of the principal Act,-

- (i) in the title, after the word "manufacturer", the words "or any other person" shall be inserted;
- (ii) in sub-section (1), after the words "or a person in the employ of such holder", the words "or any other person" shall be inserted;
- (iii) in sub-section (2), after the words "or a person in the employ of such holder", the words "or any other person" shall be inserted.

5. Amendment of section 43.- In section 43 of the principal Act, in sub-section (3), after the word "vehicle," the words "except the vehicles owned by the State Road Transport Undertaking or Corporation" shall be inserted.

6. Substitution of section 51A.- For section 51A of the principal Act, the following shall be substituted, namely:-

“51A. Third party inspection or audit.- (1) Subject to such conditions or restrictions as may prescribed, every licensee shall get his accounts or records of a financial year audited by a cost accountant before the date specified by the Excise Commissioner and by that date furnish the report of such audit in the prescribed form duly signed and verified by such cost accountant setting forth such particulars as may be prescribed or specified by the Excise Commissioner, from time to time.

(2) The report of audit referred to in sub-section (1) shall contain, inter alia, the following information,-

- (i) whether the licensee has maintained proper books of accounts and records as provided under this Act or the rules framed thereunder or as per the orders issued by the Government or the Excise Commissioner from time to time;
- (ii) whether the licensee has manufactured excisable goods or spirit as provided under this Act or the rules framed thereunder or as per the orders issued by the Government or the Excise Commissioner;
- (iii) whether the input-output of raw materials and final products are as per norms provided under this Act or the rules framed thereunder or as per the orders issued by the Government or the Excise Commissioner from time to time and to point out deviations if any;
- (iv) whether the wastages occurred during the manufacture or processing of spirits and liquor are as per the norms provided under this Act or the rules framed there under or as per the orders issued by the Government or the Excise Commissioner from time to time; and
- (v) any other items and particulars that may be provided under this Act or the rules framed thereunder or as per the orders issued by the Government or the Excise Commissioner from time to time.

(3) The provisions of sub-section (1) shall have effect notwithstanding that the records or books of accounts of the said licensee have been audited or liable to be audited under any other law for the time being in force or otherwise.

(4) The licensee shall be given an opportunity of being heard in respect of any material gathered on the basis of audit under sub-section (1) and proposed to be utilized in any proceedings under this Act or rules made thereunder.

Explanation.- (1) For the purpose of this section "cost accountant" shall have the same meaning assigned to it in clause (b) of sub-section (1) of Section 2 of the cost and works Accountant Act, 1959 (Central Act 23 of 1959).

(2) "Licensee" means a person who holds a license granted under this Act or the rules made thereunder."

By Order and in the name of the Governor of Karnataka,

G.K. BOREGOWDA
Secretary to Government,
Department of Parliamentary Affairs and Legislation