

KARNATAKA EXCISE (MANUFACTURE AND BOTTLING OF ARRACK) RULES, 1987

CONTENTS

1. Title and commencement
2. Definitions
3. Licence to be granted only to a company etc
4. Application for grant of Licence
5. Licence Fee
6. Grant of Licence
7. Duration of Licence
8. Depots
9. Number, location and arrangement of warehouse
10. Plant and machinery and storage to be within the warehouse
11. Warehouse premises to be enclosed
12. Maintenance of receptacles
13. Stock of rectified spirit
14. Blending
15. Bottling
16. Removal of arrack from the Warehouse
17. Fixation of price
18. Samples for analysis
19. Wastages
20. Authorised persons only to be incharge
21. Attendance of Officers
22. Appointment of Warehouse Officer and provision for quarters and furniture
23. Supervisory Staff
24. Persons entering warehouse or depot liable for search
25. Maintenance of Accounts
26. Licensee to inform Deputy Commissioner of certain matters
27. Notice of discontinuation of blending and bottling operations
28. Power to suspend or cancel the licence
29. Disposal of the stock of spirit or arrack in the event of suspension or cancellation of licence
30. Security Deposit
31. Licensee to abide by the order of Commissioner etc
32. Commissioner may order stoppage of work
33. Cleaning of the premises
34. Insurance
35. Supply of arrack

KARNATAKA EXCISE (MANUFACTURE AND BOTTLING OF ARRACK) RULES, 1987

Whereas the draft of the Karnataka Excise (Manufacture and Bottling of Arrack) Rules, 1987 was published as required by sub-section (1) of Section 71 of the Karnataka Excise Act, 1965 (Karnataka Act 21 of 1966), in notification No. HD 3 PES 87, dated 14th August, 1987 in Part IV, Section 2C(i) of the Karnataka Gazette, Extraordinary, dated 19th August, 1987, inviting objections and suggestions from all persons likely to be affected thereby on or before 7th September, 1987. And, whereas, the said Gazette was made available to the public on the 19th August, 1987. And, whereas, the objections and suggestions received on the said draft have been considered. Now, therefore, in exercise of the powers conferred by Sections 16-A and 26 read with Section 71 of 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 (Manufacture and Bottling of Arrack) Rules, 1987. (2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions :-

In these rules, unless the context otherwise requires,

- (a) "Act" means the Karnataka Excise Act, 1965;
- (b) "Arrack" means the spirit manufactured by blending or reducing the spirit and includes spiced arrack, but does not include ¹[Indian or] foreign liquor.
- (c) "Blending" means the mixing of spirits with other spirits of the same or different strengths;

2

- (ca) "bottle" includes "Polythene Sachets".
- (d) "Chemical Examiner" means the Chemical Examiner of the State Government or any other officer appointed by the State Government as Chemical Examiner.
- (e) "Commissioner" means the Excise Commissioner.
- (f) "Distillery" means a distillery which is licenced under the Karnataka Excise (Distillery and Warehouse) Rules, 1967.

(g) "Form" means form appended to these rules.

(h) "Gauge" means the process of determining the quantity of spirit contained or taken from a cask or receptacle or to determine the capacity of cask or receptacle.

(i) "Government" means the State Government.

(j) "Licence" means a licence granted under these rules.

(k) "Licensee" means a person to whom a licence is granted under these rules

.

(l) "Maturing" means the process of allowing the spirit blended or compounded or reduced, to settle down for such period as may be specified by the Commissioner.

(m) "Reducmg" means the process of mixing spirits with spirits of lower strength or water to bring down the strength of spirits.

(n) "Warehouse" means ³ any] distillery or other place where spirit is stored, blended, matured, fortified, diluted or flavoured to produce arrack and also a place for bottling such arrack, but does not include a manufactory where wine or Indian liquor, beer or toddy is manufactured.

(o) "Warehouse Officer" means the Excise Officer placed in charge of the Warehouse.

1. Read for the words "Indian made" by GSR No.15, dated 13-1-1988.

2. Clause (c-a) inserted by GSR No. 105, dated 20-5-1993, w.e.f. 1-7-1993.

3. Read for the word "auy" by GSR 15, dated 13-1-1988.

3. Licence to be granted only to a company etc :-

1 .

(1) A Licence shall be granted by the Commissioner, whenever necessary for any specified area or areas for the Manufacture and Bottling of Arrack.

(2) The licence under this rule shall be issued only to a Company or Agency owned or controlled by the State Government or to a State Government Department.

1. Rules 3 to 6 substituted by GSR 139, dated 30-6-1993, w.e.f. 1-

4. Application for grant of Licence :-

The application for grant of Licence shall be made to the Commissioner, indicating the area of operation for which the Licence is applied for and location of the unit, Taluk and District. The application shall be accompanied by the Treasury Challan/Pay Order/Demand Draft in proof of the payment of the Licence fee as per Rule 5(1) for the grant of licence.

5. Licence Fee :-

The licence fee for each warehouse shall be rupees one thousand only for the duration of the Licence.

6. Grant of Licence :-

The Commissioner shall after satisfying himself about the suitability of the applicant for the grant of licence, and with the prior approval of the Government, grant the Licence in Form No. 2.]

7. Duration of Licence :-

¹ . The licence granted or renewed in Form No. 2 under these rules shall expire on the last day of the June nextfollowing: Provided that the licence granted or renewed in Form No. 2 under these rules prior to the commencement of the Karnataka Excise (Manufacture and Bottling of Arrack) (Amendment) Rules, 1993 shall expire on 30th June, 1993.]

1. Rule 7 substituted by GSR 105, dated 20-5-1993, w.e.f. 1-7-1993

8. Depots :-

In case where a warehouse serves more than one district, the warehouse shall be deemed to be a depot for storing bottled arrack ¹arrack in polythene sachet] and for supply of arrack to the ²persons holding a licence to sell arrack in retail under the Karnataka Excise (Sale of Arrack) Rules, 1997] in the district where such warehouse is located. For meeting the requirements of the remaining districts served by the warehouse, there shall be established by the licensee a depot at each district headquarters or any other places specified by the Excise Commissioner. Such depots shall be established subject to the conditions as may be specified by the Commissioner. The ³ licence] issued for the warehouse shall also cover depots. The particulars of the depots and their addresses shall be entered in the licence issued for warehouses. The copies of such licence duly attested by the Commissioner shall be exhibited

at each depot.

1. Inserted by GSR No. 139, dated 30-6-1993, w.e.f. 1 -7-1993.
2. Substituted for the words "lessees of the right of retail vend of arrack" by Notification No. FD 18 EDC 97(II),dated 18-10-1997, w.e.f. 18-10-1997.
3. Read for the word "licene" by GSR No. 15, dated 13-1 -1988

9. Number, location and arrangement of warehouse :-

(1) The Commissioner may fix the number of warehouses, the area to be served by each of the warehouse and its location.

(2) The licensee shall provide separate rooms or compartments for the storage of spirit for blending, reducing, maturing, bottling and for storage of bottled, arrack. The doors of each such room shall provide for locking and shall be jointly locked by the Warehouse Officer and the licensee.

(3) Every room or compartment in the warehouse shall be properly ventilated and all the windows shall be well secured. Each room shall bear a sign board indicating the purpose of the room or compartment.

(4) The licensee shall not without prior approval of the Commissioner make any alterations in the permanent structure of any Warehouse or depot.

(5) The licensee shall make all necessary arrangements and facilities so as to enable the warehouse officer and Excise Supervisory staff posted at the [warehouse or] depot to perform their official duties free from any obstruction.

(6) No smoking or any naked light of fire shall be allowed within the warehouse premises.

10. Plant and machinery and storage to be within the warehouse :-

All buildings, plant and machinery used for storage of spirit and manufacture and storage of arrack for bottling shall be situated within the warehouse premises. No other business except storage, manufacture, bottling and issue of arrack shall be carried on in the warehouse premises.

11. Warehouse premises to be enclosed :-

The warehouse premises shall be enclosed by a compound wall with sufficient protection to prevent undue access from outside into the

warehouse premises. There shall be one entrance and one exit to the ¹ compound] enclosing the Warehouse premises.

1. Read for the word "compounding" by GSR No.15, dated 13-1 - 1988

12. Maintenance of receptacles :-

(1) No receptacles, vat or other Vessel shall be used in the warehouse unless it has been gauged and the gauging is checked by the Deputy Commissioner or any person authorised by him and the gauging table is approved by the Deputy Commissioner.

(2) Every receptacle, vat or other vessel shall be legibly painted in English and Kannada indicating its capacity. The use, the date of gauging and the distinguishing number as specified in the register by the warehouse officer.

(3) Every receptacle, vat or other vessel that is used in the warehouse shall be registered by the warehouse officer. No unregistered receptacle, vat or other vessel shall be kept within the premises of the warehouse.

(4) Every receptacle, vat or other vessel shall be got gauged once in every three years or earlier, if the Commissioner or any officer authorised by him so directs.

(5) Vats used for storage of spirit and arrack and vats intended for ¹ manufacturing] or arrack shall be made out of good wood and stainless steel or any other material permitted by the Commissioner. It shall be fixed firmly to the ground. All the vats shall be provided with proper and approved arrangement for gauging with dip rods or

(6) Every vessel shall be so fixed as to admit of proper examination of its contents and as to draw the contents entirely from the vessel without the vessel being moved and shall not be altered in shape, position or capacity without seven days notice to the Warehouse Officer.

(7) The commissioner may specify from time to time the minimum storage capacity of rectified spirit and arrack that shall be created in any warehouse or depot.

1. Read for the word "manuring" by GSR No. 15, dated 13-1-1988.

13. Stock of rectified spirit :-

(1) The quantity of rectified spirit required for the warehouse shall be allotted by the Commissioner from time to time. It shall be drawn from the distillery on indents duly countersigned by the Warehouse Officer. The transportation charges shall be borne by the licensee. The distillery shall issue such quantity of rectified spirit as allotted by the commissioner, to the warehouse at the rates fixed by the Commissioner under Rule 17.

(2) The stock of spirit when received at the warehouse shall be verified by the Warehouse Officer by volume and strength or the quantity of pure alcohol in it and taken to the storage vats. The Warehouse Officer shall furnish a certificate of such verification to the Distillery Officer concerned and shall keep a register showing the details of stock indented, issued by the distillery and the stock as received in the warehouse.

(3) Gauging of spirit shall be made by the Warehouse Officer everyday in the presence of the licensee or his authorised representative and the result thereon shall be recorded in a register, which shall be attested by both the Officer and the licensee or his representative.

(4)

(a) The licensee or his authorised representative shall give a requisition for the transfer of such quantity of spirit for the production of arrack to the vessels kept for the purpose. The requisition shall contain information as to the date, batch, number, quantity, spirit vat number from which to be issued, and the vessel number to which it should be transferred.

(b) The Warehouse Officer on receipt of the requisition may permit the transfer after gauging the stock in volume and strength.

14. Blending :-

(1) Spirit obtained from spirit store shall be blended or reduced in the presence of the Warehouse Officer in vats approved by the Commissioner or other Officer authorised by him. The Warehouse Officer shall record ¹xxx] the quantity of arrack finally produced ² accurately.]

(2) The reduction of spirit for issue as arrack shall be not more than 35 degree U.P. or such strength as may be fixed by the Commissioner from time to time.

(3) Arrack after blending shall be matured in such manner and for such period as may be specified by the Commissioner from time to time.

(4) Arrack shall not be flavoured or coloured or spiced, except in accordance with the extent and manner specified by the Commissioner from time to time.

(5) Water used for blending or reducing shall be pure and potable. It shall be got analysed by the Chemical Examiner once in a quarter and declare it fit for human consumption.

1. The word "accurately" deleted by GSR No. 15, dated 13-1-1988.

2. The word "accurately" added by GSR No. 15, dated 13-1-1988.

15. Bottling :-

(1) The licensee or his authorised agent may apply to the Warehouse Officer for the transfer of arrack to the bottling room, who may release the stock from the arrack storage vat, after ascertaining the true quantity available for transfer. He shall record the true quantity of stock of arrack issued for bottling.

1

(2) Only bottled or polythene sachets of such specifications, design and capacity as specified by the Commissioner shall be used.

(3) If supplied in bottle, the bottle shall be cleaned and rinsed by freshly prepared solution of Potassium Permanganate in the proportion of 0.065 to 4.546 Litres of Water or any disinfectant of the strength as specified by the Commissioner.]

(4) The filling up of bottles with arrack and sealing them with pilfer proof caps ²or packing of arrack in polythene sachets] shall be done under the supervision of the Warehouse Officer.

(5) ³Bottle] containing arrack shall bear a label as approved by the Commissioner in the following manner,

(a) The strength of arrack.

(b) Place of manufacture and bottling.

(c) Full name and address of the Licensee.

(6) The label shall indicate the quantity of liquor in the bottle and bear the words "Bottled in the Excise Bonded Warehouse" with no

misdescription of any operation.

(7) The bottles shall be immediately packed either in cartons or crates after filling. Each package shall contain six or twelve or multiple thereof. This shall be carried on in the presence of the Warehouse Officer and stored in the store-room.

(8) The sealed bottles shall have in addition an excise adhesive label and no bottle without excise label shall be issued from the warehouse. Such labels shall be affixed by the licensee at his cost in the presence of Warehouse Officer. In case for any reason labels are not available, the Commissioner may, on an application, allow release of bottled arrack for sale without labels on payment of cost of labels to the Government.

4

(8A) If arrack is supplied in polythene sachets, the following shall be printed in the sachets. (a) Strength of Arrack. (b) Place of Manufacturing and Bottling. (c) Full name and address of the Licensee. (d) Quantity of Arrack, and also. bear the words "Bottled in the Excise Bonded Warehouse", with no mis-description of any operation. Such Arrack in Sachets shall be kept in separate Store Room under the supervision of the Warehouse Officer.]

(9) Bottled arrack shall be kept in a separate store-room.

1. Sub-rules (2) and (3) substituted by GSR No. 139, dated 30-6-1993, w.e.f. 1-1-1993.

2. Inserted by GSR No. 139, dated 30-6-1993, w.e.f. 1-7-1993.

3. Read for the word "Bottles" by GSR No. 15, dated 13-1-1988.

4. Sub-rule (8-A) inserted by GS R No. 139, dated 30-6-1993, w.e.f. 1-7-1993.

16. Removal of arrack from the Warehouse :-

(1) No arrack shall be removed from the warehouse without payment of excise duty.

(2) Arrack shall not be issued from the warehouse or depots except in bottles ¹ or polythene sachets] of the approved capacity and design.

(3) Bottled arrack ² or arrack in polythene sachets] shall be issued from the warehouse or depot, attached to the warehouse only to 4 [the persons holding a licence to sell arrack in retail under the Karnataka Excise (Sale of Arrack) Rules, 1997] on production of

permits issued by the Warehouse Officer or Officer authorised by the Commissioner at quantities and price fixed by the Commissioner from time to time.

(4) An application for the issue of bottled arrack 5[or arrack in polythene sachets] and transport permit shall be made by 6[the persons holding a licence to sell arrack in retail under the Karnataka Excise (Sale of Arrack) Rules, 1997] to the Warehouse Officer or the Depot Officer, or any Officer authorised, and shall be accompanied by the

(5) On proof of payment of price of arrack, excise duty and other levies, If any, a transport permit for the transport of bottled arrack may be granted by the Warehouse Officer/Depot Officer/or any other Authorised Officer in the form specified by the Commissioner.

(6) The licensee may, with the sanction of the Commissioner or any Officer authorised by him pay a lumpsum amount towards the price of arrack, excise duty and licence fee and other levies, if any, to be paid under Rule 5(2) in advance and adjust it towards payment on every application under sub-rule (4) and he shall keep such minimum balance in the advance account as the Commissioner or Authorised Officer may decide.

1. Inserted by GSR No. 139, dated 30-6-1993, w.e.f. 1-7-1993.

2. Inserted by GSR No. 139, dated 30-6-1993, w.e.f. 1-7-1993.

17. Fixation of price :-

The price to be paid by Government to the distillery for the rectified spirit supplied by the distillery to the Warehouse, the price to be paid by the Government to the Warehouse for manufacture and bottling of arrack and the price to be paid by the lessees for the right of retail vend of arrack to the Government for the supply of bottled arrack shall be fixed by the Commissioner from time to time with prior approval of the Government ¹ and the same] shall be communicated to the persons concerned.

1. Read for the words "and same" by GSR No. 15, dated 13-1-1988

18. Samples for analysis :-

(1) The licensee shall allow the Warehouse Officer to take the sample of spirit and arrack from each batch upto half of a litre, for chemical analysis and the Warehouse Officer shall give a written acknowledgement of the same.

(2) The Warehouse Officer may on application made to him permit the licensee to take such samples of spirit used in the manufacture of

(3) The licensee shall pay such fees as may be fixed by the Commissioner for the examination of samples of spirit and arrack sent for chemical examination.

19. Wastages :-

Wastages shall be admissible at the stages of transportation of rectified spirit from distillery to the warehouse, storage of rectified spirit, blending, maturation and bottling of arrack, warehousing and storage and transportation of bottled arrack from the warehouse to the depot as fixed by the Commissioner: Provided that the Commissioner ¹ may], if it is proved to his satisfaction that the loss, if any, in excess of the limits fixed could not have been prevented by the exercise of proper care and precaution, allow such excess wastages also.

1. Read for the word "May" by GSR No. 15, dated 13-1-1988.

20. Authorised persons only to be incharge :-

(1) The Warehouse and depots shall not be put in the charge of any person other than the person authorised by the licensee and in respect of whom a nowkarnama is issued by the warehouse officer. A court fee stamp of rupees two shall be affixed to each nowkarnama. A certificate from any registered medical practitioner to the effect that the persons so authorised are not suffering from any contagious diseases shall be produced by the licensee before the warehouse officer once in six months. This shall also apply to the employees working in the warehouse and depots.

(2) The Nowkarnama issued in sub-rule (1), may be suspended or cancelled by the Warehouse Officer for the reasons to be recorded in writing.

21. Attendance of Officers :-

The Warehouse Officer with the prior approval of the Commissioner shall regulate the working hours of the warehouse, which shall not exceed 8 hours a day. If the Licensee wants the excise staff to work beyond the working hours and also on public holidays and ¹ Sundays], the licensee shall make a requisition to the Warehouse Officer in advances and the licensee shall be liable to pay overtime allowance at double the rate of usual allowances payable to the

staff,

1. Read for the word "Sundays" by GSR No. 15, dated 13-1-1988.

22. Appointment of Warehouse Officer and provision for quarters and furniture :-

The Commissioner shall post such staff at the warehouse as he deems fit. The licensee shall provide necessary office furniture for the use of the excise staff. The licensee shall also provide to the excise staff with the furnished quarters. If the licensee is unable to provide quarters, the Commissioner may obtain through the Deputy Commissioner, other accommodation on rent and the licensee shall be liable to bear all costs and expenses thereof.

23. Supervisory Staff :-

The Commissioner may employ at the warehouse or depot, such number of Excise Officers as may be necessary, for supervision and securing compliance with the provisions of the ¹ Act] and these rules. The Cost of such establishment including pay, leave salary, contributory provident-cum-pension fund and pensionary contribution in respect of such Officers shall be paid by the licensee in advance at the beginning of each quarter.

1. Read for the word "act" by GSR No. 15, dated 13-1-1988.

24. Persons entering warehouse or depot liable for search :-

(1) All persons entering a warehouse or depot shall be under the orders of the Warehouse Officer in respect of their conduct and movements there within the warehouse and shall be liable for search before leaving the warehouse premises by the Excise Staff.

(2) No person other than the licensee or his authorised venders or agents or employees of the warehouse shall be allowed to enter the warehouse premises without the permission of the Warehouse Officer.

(3) The Warehouse Officer may direct or remove from the warehouse premises any person who has committed or is about to commit any breach of the provisions of the Act or the rules or who is intoxicated, riotous or disorderly.

25. Maintenance of Accounts :-

(1) The licensee shall keep regular accounts in the forms specified by the Commissioner and such accounts shall be countersigned by

the Warehouse Officer. The accounts shall be kept open for inspection at all time by the Excise Officers authorised to inspect such accounts.

(2) Spirits and arrack in the warehouse shall at all times be open to gauging, proving and stock verification by the Excise Officers authorised.

26. Licensee to inform Deputy Commissioner of certain matters :-

Every Licensee shall report to the Deputy Commissioner or the officer authorised in respect of ¹all] instance which come to his knowledge that any person employed by him in the transport, storage and issue of arrack has committed any breach of ² the] provisions of the Act or the rules framed thereunder.

1. Read for the word "sall" by GSR No. 15, dated 13-1-1988.
2. Read for the word "these" by GSR No. 15, dated 13-1-1988.

27. Notice of discontinuation of blending and bottling operations :-

The licensee shall not discontinue the blending or bottling operations unless he gives ninety days notice to the Commissioner of his intention to do so.

28. Power to suspend or cancel the licence :-

(1) If a licensee or any person in his employment contravenes any of the provisions of the Act or the rules made thereunder or the terms and conditions of licence the Commissioner may suspend or cancel the licence:

Provided that no such order of suspension or cancellation shall be passed without giving the licensee a reasonable opportunity of showing cause against the order.

(2) No licensee shall be entitled for any compensation against any order under sub-rule (1).

29. Disposal of the stock of spirit or arrack in the event of suspension or cancellation of licence :-

On the expiry of the licence or if the ¹ licence] is cancelled or suspended, the balance stock of spirit in all forms and of arrack in the warehouse shall be disposed of in such manner as the Commissioner may direct. The cost of the establishment charges at the warehouse, till the disposal of the spirit and arrack shall be

recovered from the licensee.

1. Read for the word "licensee" by GSR No. 15, dated 13-1-1988.

30. Security Deposit :-

1

(1) xxx]

(2) Every licensee shall execute an agreement on duly stamped paper binding himself, his heirs, legal representatives and assigners to observe all the provisions of the Act, Rules, and orders passed thereunder and the conditions of licence and reimburse to the Government with the entire amount of duty and other levies, if any, on the quantity of spirit removed without pre-payment of the duty.

(3) The agreement referred to in sub-rule (2) shall remain in force until it is cancelled.

1. Sub-rule (1) omitted by GSR No. 139, dated 30-6-1993, w.e.f. 1-7-1993.

31. Licensee to abide by the order of Commissioner etc :-

The licensee and persons employed by him in the manufacture, blending, bottling, transport and sale of arrack shall be bound ¹ by all the rules] relating to the manufacture or arrack which may be made from time to time under the Act or under the rules and orders passed by the Commissioner from time to time.

1. Read for the words "by rules" by GSR No.15.dated 13-1-1988.

32. Commissioner may order stoppage of work :-

Where the Commissioner is not satisfied with the maintenance of the building, plant or any other appliances or vessels or for any other reasons to be recorded in writing, he may by order require the licensee to stop working of the warehouse within seven days from the date of communication of such order.

33. Cleaning of the premises :-

The licensee shall keep the warehouse premises clean and in hygienic condition.

34. Insurance :-

The warehouse, with all the machineries and materials including the spirit and the arrack in the warehouse shall always be comprehensively insured against any loss or damage due to theft, fire, flood, riot or any other causes.

35. Supply of arrack :-

(1) The licensee shall maintain uninterrupted supply of bottled arrack ¹or arrack in polythene sachets] to ²the persons holding a licence to sell arrack in retail under the Karnataka Excise (Sale of Arrack) Rules, 1997] and shall be liable for any damage or loss caused to the Government unless such interruption was for reasons beyond his control.

(2) In case of any disruption of supply of bottled arrack ³ or arrack in polythene sachets] from any warehouse it shall be lawful for the Commissioner to direct that the bottled arrack shall be supplied to the specified area from any other warehouse or warehouses. If for any reason the supply of bottled arrack cannot be arranged, the Commissioner may, with the prior approval of Government allow the supply of arrack in bulk for such area, for such period and under such conditions as he may specify.

1. Read for the word "licensee" by GSR No. 15, dated 13-1-1988.
2. Sub-rule (1) omitted by GSR No. 139, dated 30-6-1993, w.e.f. 1-7-1993.
3. Read for the words "by rules" by GSR No.15.dated 13-1-1988.