

Excise Duty Rules, 2019 (1962)

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In exercise of the powers conferred by section 16 of the Excise Duty Act, 2015 (1959), His Majesty's Government has framed the following Rules.

1. **Short title and commencement** : (1) These Rules may be called as the "Excise Duty Rules, 2019 (1962)".

(2) These Rules shall come into force immediately.

2. **Definitions** : Unless the subject or the context otherwise requires, in these Rules, -

(a) "Act" means the Excise duty Act, 2015 (1959).

(b) "Schedule" means the Schedule of these Rules.

(c) "Excise Duty Officer" means the Director of the Customs and Excise Duty Department, the Excise Duty Officer appointed by His Majesty's Government and In-charge of the customs in the place where such officer is not available and In-charge of the Revenue Office in the place where even such In-charge is not available.

(d) "Department" means the Customs and Excise Duty Department.

(e) "warehouse" means a governmental or private warehouse where the products subject to excise duty are stored without paying the excise duty for such period and under such terms and conditions as may be prescribed by the Department by an order.

(c) To produce or manufacture soap NRs. 100/-

(d) To buy, sell soap by wholesale NRs. 20/-

Provided, however, that if any substance not mentioned above is subject to excise duty pursuant to Section 3 of the Act and another provision has not been made in respect of such substance, the license fee shall not exceed NRs 100 (one hundred) for producing or manufacturing such substance or buying, selling it by wholesale until such provision is made.

5. **Permission for operation** : Any factory licensed under these Rules has to make an application to the concerned Excise Duty Officer for permission prior to operating the factory and the Officer may give permission after holding inquiry by himself or through any of his subordinate officials.

6. **Period of license** :

(a) The period of the license obtained pursuant to these Rules shall remain valid only during the fiscal year in which it has been issued; and the license has to be got renewed before the next fiscal year starts, by paying the license fees as referred to in Rule 4. The punishment as referred to in Section 12B. of the Act may be imposed on the factory owner who makes or produces the product subject to excise duty without getting the license renewed after expiration of the license period.

Provided, however, that the Customs and Excise Duty Department may, on reasonable ground, renew the license by imposing a fine of up to NRs. 500/- (five hundred).

(b) The prepared goods in stock may be sold only after obtaining permission of the Department and paying the excise duty leviable on such goods after expiration of validity period of license. If the factory owner fails to pay the excise duty, the Department may auction off or get it sold under its control and return to the owner the amount remaining over plus, if any, after deducting the payable excise duty from the proceeds of sale.

7. **Quarters for Excise Duty Officer** : Each factory owner has to make arrangements for quarters equipped with furniture within the camp of that factory for the excise Duty Officer appointed for that factory.
8. **Power to require to make deposit** : In issuing the license to a factory under these Rules to open a distillery to make liquors, HMG may take a deposit, as security, in such a sum as it may think necessary by getting a bond undertaking make as to how much excise duty in minimum is to be paid by that factory during the year. If the amount of excise duty paid within the fiscal year be less than the figure undertaken, the shortfall amount shall be deducted from the deposit and the remaining due shall be recovered from him. Provided, however, that if such amount be more than the undertaken amount, the overplus amount shall be refunded to him immediately.
9. **Place to store prepared goods** : (1) The factory owner has to store the goods produced or made in a warehouse within the factory camp; and the factory owner and the excise Duty Officer shall lock the factory with duplicate lock. It shall be the duty of the Excise Duty Officer to lock the factory in any other necessary places as well, if required, by obtaining permission of the Department. One key of the governmental key has to be kept by the Excise duty Officer in a glass case sealed with

the sealing wax in the office of the factory manager to be used casually or on occasions like firing.

(2) It shall be the responsibility of the factory owner to safely keep the products subject to excise duty stored in a warehouse. If the products are lost due to fire or theft or otherwise, no claim of any kind can be made against HMG for such loss.

(3) All the goods within the factory must be under full control of the excise Duty Officer. No raw material, semi prepared or prepared product relating to the product subject to excise duty shall be taken out of the factory without approval of the excise Duty Officer.

10. **Functions and duties of Excise Duty Officer** : The main functions and duties of the excise Duty Officer shall be as follows :

(1) To get the act of producing of the product subject to excise duty done in his presence at the factory where he has been deputed by the Department and to get the products stored in a warehouse taken out in his presence while taking such products out of the warehouse for sale or transportation, and attach a proof thereof to the register maintained in the factory.

(2) To send such information or notice on the quantity of the production or sale or storage of the products subject to excise duty and the excise duty recovered and on any other such matter as may be required by the Department by ordinary or special order in such format as may be specified in the order.

(3) To maintain and cause to be maintained the daily register relating to the product subject to excise duty produced at

and sold from the factory in the format as referred to in Schedule (g).

- (4) To cause the factory to send the weekly, monthly, tri-monthly, semi-yearly and yearly reports to the Department in time.
- (5) To arrange such matters with the approval of the Department which is not mentioned in these Rules are but as may be thought necessary by the excise Duty Officer in respect of the manufacturing, producer, selling and storing of the products subject to excise duty.

11. **Functions and duties of factory owner** : The main functions and duties of the factory owner shall be as follows :

- (1) each factory owner is to send the weekly, monthly, tri monthly semi-yearly and yearly reports also verified by the Excise Duty Officer, on the products in the factory subject to excise duty to the Department in time in the format as referred to in schedule (E).
- (2) The factory owner is to maintain records in the format as referred to in Schedule (G) and the register clearly reflecting his daily stock and sale of products and make the register available for inspection at any time by the Excise Duty Officer and the official authorised by the Department.
- (3) To send a sample of the product produced at the factory to the Department by getting it certified by the Excise Duty Officer, and if any kind of alteration is subsequently made on that product, to send its sample as well.

- (4) To sell the products produced at the factory by wholesale only.
- (5) To deposit the amount of excise duty on the prepared products stored in the warehouse prior to taking them out, or the amount of excise duty chargeable on the exported products no later than seven days of the export made deposited with the Nepal Rastra Bank in a place where it is available and with the Revenue Office in a place where it is not available, and give original voucher or duplicate copy of the receipt to the Excise Duty Officer.

12. **In the event of the figure of excise duty recovered being lesser than the figure chargeable** : If the excise duty chargeable on any product be recovered in a figure lesser than that chargeable owing to any reason, the Department may get it recovered from the concerned factory within six months, Provided, however, that lesser amount has been recovered because of ulterior motive of the factory owner, that amount may be recovered at any time.
13. **Condition of taking guarantee** : If any person desires to export the products, subject to excise duty from the factory or transport the products produced from one place to another place, the excise duty Officer may give permission to do such act only after taking necessary guarantee.
14. **Power to examine stock** : The Department may depute any employee at least once in a year to examine the stock of raw, semi-prepared and final goods relating to products subject to excise duty at any factory; and it shall be the duty of the concerned factory owner to allow the employee so deputed to examine the same. If the employee so examining the stock makes a report to the Department indicating any alteration

therein, His Majesty's Government may grant permission taking into consideration of its appropriateness.

15. **In the event of alteration in the rate of excise duty** : If the rate of excise duty of any product is altered, the excise duty as specified in the notice shall be levied on all the products subject to excise duty lying at the factory and recovered from the date of publication of a notice to that effect in the Nepal Gazette.
16. **Power to grant exemption in the event of export of products subject to excise duty** : His Majesty's Government may, from time to time and by a notification published in the Nepal Gazette, grant such exemption of excise duty to the person who exports such products subject to excise duty from the Kingdom of Nepal to such country as may be prescribed subject to such terms and restrictions as prescribed in that notification.
17. **Factory owner to give notice of accident** : If any accident occurs at the factory, the factory owner has to give a notice thereof to the Department as soon as possible; if the factory owner does not give a notice thereof, he has to bear the loss relating to excise duty caused from that accident to His Majesty's Government.
18. **Notice to be given to close factory** : (1) If any factory is to be closed for any reason, that factory owner has to give a written notice clearly setting out all reasons to the concerned Excise Duty Officer and the Department in advance of at least twenty four hours.

(2) If the Department receives a notice as referred to in sub-rule (1), His Majesty's Government may, if it thinks necessary, order the factory owner to keep on operating the factory; and it shall be the duty of the concerned factory owner to do accordingly.

19. **Powers to hear cases** : (1) Only the concerned Excise Duty Officer shall have the powers to hear and originally settle each case filed under the Act and these Rules.

(2) If any person is not satisfied with a decision made by the Officer under sub-rule (1), such person may make an appeal to the Revenue Tribunal* within two months from the date of receipt of notice of such decision.

20. **Punishment** : Any person who violates the provisions contained in these Rules may be Punished with imprisonment for a term not exceeding two months or with a fine of up to five hundred rupees or with both.

Chapter - 2

Additional Provisions relating to Matches

21. **Place to keep prepared matches in** : As soon as the matches after being prepared are put into a match box and are packed after affixing banderol etc. thereto, date and serial number have to be clearly put on the packing and they have to be stored in a warehouse; and the match boxes which are yet to be packed have to be kept in such room in the factory as may be approved by the Excise Duty Officer.

22. **Availability of bandroll or label** : The bandrolls or labels of the required rate can be purchased from the Department or District Customs Office until other provision is made and the Revenue Office in the place where even such office is not available.

Provided, however, that if a sum of NRs. 5,000/- (five thousand Rupees) is deposited, it shall not be required to purchase bandrolls by paying rupees at each term; one can obtain as many bandrolls as

* Provision made by the Revenue Tribunal Act, 2031 (1974).

required. Provided, however, that the price of the bandrolls so obtained shall in no case exceed the figure of amount deposited as the security.

23. **Prohibition on sale of matches to which bandrolls not affixed** : (1)

The matches shall not be taken out of the factory without affixing the governmental bandrolls or labels of the required rate to the match boxes.

(2) A requisition slip in the form as referred to in schedule (H) has to be submitted to the Excise Duty Officer to take the matches, with bandrolls affixed thereto, out of the factory warehouse to sell them. The Excise Duty Officer may give permission to take out the goods by fixing the amount of excise duty leviable thereon, and has to maintain records in the register book accordingly.

24. **Place to keep bandrolls in and account thereof** : It shall be the

responsibility of the factory owner to keep bandrolls or governmental labels in a secured place within the factory. If the bandrolls are stolen or destroyed in any manner, bandrolls have to be brought again by paying the price; the daily account on debit, credit and stock of bandrolls has to be maintained in the format as referred to in schedule (I); and the concerned Excise Duty Officer has to examine the account in every seven days, count the bandrolls and put marks on the register; and the Excise Duty Officer has to send the weekly, monthly and yearly excise duty reports to the Department in the format as referred to in schedule (J).

25. **Mode of assessing excise duty** : Average shall be worked out by counting the match sticks by picking up the match boxes at the rate of one match box from each ten gross in the stock, and excise duty leviable on the stock shall be assessed by that average.

26. **To maintain account of match sticks and boxes** : Each factory owner has to maintain daily account of production of sticks and boxes in the format as referred to in Schedule (K).
27. **To separately store matches of different number of sticks in warehouse**: (1) The prepared matches have to be packed by dozen or gross and slip of item counting has to be marked thereon. The matches of different number of sticks have to be stored in the warehouse so separately that the quantity of the matches of different number of sticks can be counted.
- (2) The account of the matches stored in the warehouse has to be maintained in the format as referred to in Schedule (L).
- (3) The account of the matches not packed has also to be maintained in a separate register.
28. **Duty of Excise Duty Officer to count number of match sticks** : The Excise Duty Officer has to go to the place where boxes are filled in, from time to time and take out the sticks filled in any box and count them for checking; and he has to give normal oral warning to the factory manager, if the match sticks are more or less, in maximum of three sticks, than the prescribed number of match sticks, and written warning if the number is more or less than that and mention remarks thereabout in the register book.
29. **Mode of affixing bandrolls to matchboxes** : (1) The bandrolls have to be so affixed to the match boxes that the number of sticks written on the bondrolls can be clearly seen.
- (2) The bandrolls have to be to affixed to the match boxes on both sides that the labels of the factory are tightened and the boxes can

not be opened without tearing down the bandrolls as referred to in sub-rule (1).

Chapter - 3

Additional Provisions relating to Soap

30. **Account of ingredients to make soap** : If the goods required to make soap are kept in the factory, the account of daily debit and credit of the raw materials has to be maintained in the register book in such format as may be approved by the Excise Duty Officer.
31. **To maintain account of consumption of crude and raw materials** : The account indicating which and what substance has been used in what quantity in each operation to prepare soap has to be maintained in the daily production register in the format as referred to in schedule (N).

Chapter - 4

Additional Provisions relating to Cigarettes

32. **To maintain account of raw and crude tobacco** : The accurate account of all kinds of native and foreign tobacco procured and brought at the factory to make cigarettes has to be maintained in the format as referred to in Schedule Cigarette (1). The register has to be got examined daily by the Excise Duty Officer deputed to the factory.
33. **To maintain consumption of tobacco** : The account of the tobacco used to make cigarettes has to be maintained in the format as referred to in Schedule Cigarette (2); and the Excise Duty Officer has to examine it daily and put the records thereon.

34. **To set out proportion of tobacco in cigarettes** : Approval has to be obtained from the Department on the proportion of native and foreign tobacco to be used in making any kind of cigarette. The Department has to seal this type of notice and keep it secret.
35. **Packaging of prepared cigarettes** : The prepared and sellable cigarettes have to be well examined, kept in packets and packed accordingly. The cigarettes taken out of the factory warehouse for sale shall not be brought again at the factory without permission of the Department. The date of packaging, serial number and number of sticks have to be clearly written on the packages of prepared cigarettes and then the packages have to be sent to the warehouse. The account of the cigarettes yet to be packed has to be maintained in the format as referred to in Schedule Cigarette (3) and the account of the cigarettes stored in the warehouse has to be maintained in the format as referred to in Schedule Cigarette (4).
36. **mode of taking cigarettes out of warehouse** : The form referred to in Schedule cigarette (5) has to be filled up and submitted to the Excise Duty Officer to take the Cigarettes out of the factory warehouse to sell them. The Excise Duty Officer shall determine the amount of excise duty leviable thereon and allow to take them out and maintain records accordingly.

Chapter - 5

Additional Provisions relating to Sugar

37. **Accounts and records to be maintained in sugar factory** : (1) The following accounts and records have to be maintained in the sugar factories :

- (a) Daily account of debit and credit of sugarcane has to be maintained in the format as referred to in Schedule Sugarcane (1).
- (b) The factory making sugar from the loaf sugar has to maintain the daily account of the loaf sugar in the format as referred to in Schedule Sugar cane (2).
- (c) Register of daily production has to be maintained in the format as referred to in Schedule (6).
- (d) The weekly, monthly, tri-monthly, half-yearly and yearly production reports has to be maintained in the format as referred to in Schedule Sugarcane (E).
- (e) Daily account of drier house has to be maintained in the format as referred to in Schedule Sugarcane (3).
- (f) The account of the sugar stored in the warehouse has to be maintained in the format as referred to in Schedule Sugarcane (4).
- (g) Daily account of the sugar packed in a sack and yet to be packed in a sack has to be maintained in the format as referred to in Schedule Sugarcane (5).

(2) The following additional account has also to be maintained in the sugar factories :

1. Name of the place where the goods are sent, and the buyers' name and address :-
2. Date and number of gate pass :-
3. Quantity (in Man, Sher) :-

4. Number of sacks :-
5. Date and number of invoice :
6. Date and number of bill :-
7. Ledger folio and sale journal folio number :-

(3) If the goods are sent from the factory by motor vehicle, lorry, cart or animal the following records have also to be maintained in the register :-

- (a) Register number of the motor and lorry :-
- (b) Name of car and animal sender :-

38. **In cases where prepared sugar is to be sent again to factory** : In cases where the sugar stored in the warehouse becomes imperfect and unfit for sale and has to be sent again to the factory to re purify it and make it fit for sale, it has to be sent to the machine room by obtaining written permission of the Excise Duty Officer. The records of the sugar to be so taken out of the warehouse have to be maintained.
39. **Register book of factory making Khandsari sugar** : A factory making Khandsari sugar has to maintain daily production register book in the format as referred to in Schedule Sugarcane (6) clearly reflecting quantity of the raw, crude materials used, sugar produced therefrom, previous stock and quantity of the sugar sold.

Chapter - 6

Additional Provisions relating to Liquor Distillery

40. **Defintions** : For purposes of this chapter, the following words means the matters mentioned after them :

- (a) Wholesale price means the figure drawn by adding the chargeable excise duty to the ex-factory price.
- (b) ex-factory price means the figure drawn by adding the cost price of the liquor made or prepared and profit of the factory.
- (c) L.P. means the strength of spirit in London proof and L.P. Galloon means the quantity containing 57.06 per cent absolute alcohol in per galloon.
- (d) O.P. means the liquor with strength more than London proof.
- (e) U.P. means the liquors with strength less the London proof.
- (f) wash means the liquid which is obtained by mixing starch is tubers, fruits, dried kismis and other substance containing sugar or starch with water and making it rotten and is capable of leaking the liquors.

41. **Mode of obtaining license and license fees :**

- (a) A distiller who wishes to produce liquors may make an application to the Department in the format as referred to in Schedule (A) for that purpose. The application has to be accompanied by the map of distillery and estimated value of the distillery, as well. If such application is made, the Department may, by enquiring into all matters, may issue license by collecting a sum of two hundred fifty rupees for the license fee.
- (b) The Liquors Act and Rules shall apply to sale and distribution of liquors.

42. **Mode of determining the rate of excise duty** : It shall be the power of the Department to collect the excise duty at the rate of 90 per cent of the ex-factory price of liquors or collect the excise duty on each L.P. galoon on the basis of L.P. strength by categorising the liquors.

Provided, however, that in determining the rate of excise duty for the minimum amount of excise duty to be paid through out the year or that of excise duty on the liquors of the distiller or liquor contractor who has undertaken contraction, the Department shall seek his opinion, inquire into the matter and determine the rate of excise duty.

43. **Prohibition on mixing substance injurious to health** : Approval of the substance from which liquor is made has to be obtained from the Department; and mixing any substance, injurious to health, with liquors or preparing liquors by mixing such substance is prohibited.

44. **Place to keep prepared liquors** :

(a) The liquors of first distillation drawn from wash shall be kept in such room within the camp of the distillery as may be approved and the Excise Duty Officer shall also lock that room.

(b) The liquors of second or third distillation drawn from first distillation shall be kept in the warehouse in a separate pot only in a vat with a scale feet measuring galoon also indicating second, third distillation.

(c) The prepared sellable liquors shall be kept in a separate part or room of the warehouse.

45. **Pot to prepare wash** : A separate pot has to be used to prepare wash. The pot has to contain gallon measuring scale and contain the words wash vat on top of it.

46. **Prohibition on entry of unconcerned person into distillery** :
Unconcerned persons except the workers and employees of distillery shall not be allowed to enter into the place, where liquors are prepared or kept within the distillery, except with the permission of the Excise Duty Officer.
47. **Inspector book** : (1) Each distillery has to maintain an Inspector book approved by the Department. Each Excise Duty Officer shall, while inspecting the distillery, mention in the book all matters including the date, time of inspection, errors, if any, found .
- (2) The Inspector book shall be kept in the office of the distillery, and it shall be the duty of the owner of the distillery to submit it as and when so required by the inspecting officer.
48. **To maintain records about wash** : (1) A separate register book has to be maintained clearly reflecting as to what and how much raw and crude substance has been put in how much water and wash made for fermentation.
- (2) Prior to putting wash prepared for distillation into the distillation plant, a notice has to be given to the Excise Duty Officer thereby indicating the quantity (gallon) of the wash to be distilled and the number of vat from which it has to be drawn.
49. **To maintain account of liquors** : (1) A register indicating how much liquors have been drawn from how many gallons of wash and the strength thereof and account of gallons has to be maintained in the format as referred to in First Distillation Schedule Distillery (1).
- (2) A separate register of first, second and third distillation has to be maintained in the format as referred to in Schedule Distillery (1).

(3) The strength and quantity of the liquors drawn from the first or second distillation for blending should be mentioned in L.P. gallon.

(4) In cases where blending substance has been mixed with the second or third distilled liquors and the liquors are thus distilled, the quantity and strength of the liquors drawn therefrom should be mentioned in a separate register.

50. **Place to keep distillery** : A distillery plant has to be situated within walls outside 1/2 furlong from the main road. The wastes of distillery have to be kept in one's own land in a manner not to cause any injury to the neighbor's health, and full arrangements have to be made for cleaning the wastes.

51. **Remission of stock shortfall** : Each distillery owner has to get the stock examined at least once in a year; and if the official examining the stock makes a report to the Department indicating that there has been shortfall in the stock because of evaporation or obscuration or leakage or bottling etc., the Department may grant remission not exceeding three per cent, and if remission has to be granted for more than three per cent, His Majesty's Government may grant remission.

52. **To affix ban drollor excise label** : (1) The account of the liquors kept in the drums or bottles of approved size to sell and distribute the liquors has to be maintained in the format as referred to in Schedule Distillery (2).

(2) Liquors shall not be sold without affixing the governmental excise duty tickets to the mouth of the bottles until otherwise provided by His Majesty's Government for sale and distribution.

(3) A label indicating the name of distillery, trademark and strength of the liquors has to be affixed to each bottle of liquors.

(4) The excise duty ticket has to be so affixed to or put on the mouth of a bottle that the liquors in the bottle cannot be taken out without tearing the ticket.

(5) Each distillery owner has to send inventory of liquors, sale of bottles of liquors of different kinds, the amount of excise duty therefrom and weekly, monthly, tri-monthly, half yearly and yearly reports to the Department through the Excise Duty Officer in the formats as referred to in Schedule Distillery (2) and (3).

Note : Schedule is not included here.

Nepal Law Commission