States' Jurisdiction over Liquors

Why in news?

The Supreme Court's 9 judge bench is considering if the States have the power to regulate and levy excise duty tax on industrial alcohol.

Excise Duty
• It refers to the taxes levied on the *manufacture of goods within the country*, as opposed to custom duty that is levied on goods coming from outside the country. • **Indirect tax-** It is generally collected by a retailer or an intermediary from its consumers and then paid to the government • **Legal framework**- The excise duty is governed by the two acts- - Central Excise Act, 1944 - Central Excise Tariff Act, 1985 • **Collection**- The ***Central Board of Excise and Customs*** (CBEC) is responsible for collecting excise duty. • **Payment of excise duty**- Electronic Accounting System in Excise and Service Tax (EASIEST), the payment gateway of CBEC, through this the excise duty can be paid. • With the introduction of GST, several indirect taxes have been subsumed, including excise tax. • Nonetheless, it is still applicable to a few items like petroleum, liquor, etc.,

What is the current case before Supreme Court?

- The Supreme Court is considering whether state governments have the power to regulate and control the sale, distribution, pricing and other factors relating to 'industrial' alcohol.
- **Industrial alcohol**- It serves as a raw material for various products and is not intended for human consumption, it plays a crucial role in manufacturing process but it is distinct from the alcohol meant for drinking.

Jurisdiction of liquor	
Centre	**State**
• **Union list (Entry 52)** and **Concurrent List (Entry 33)**- It mentions industries whose control is deemed expedient in public interest by Parliament. • Industrial alcohol is listed in the *Industries (Development and Regulation) Act, 1951 (IDRA)*. • Due to prevailing Central law in this subject, it will exist over the State law.	• State list (Entry 8)- It grants States authority to legislate on matters related to the production, manufacture, possession, transport, purchase, and sale of intoxicating liquors. • The subjects mentioned in the Concurrent List (Entry 33) can be legislated by both States and Centre. • But if a central law exists, State laws cannot contradict it.

- The question before the Supreme Court is whether states can regulate industrial alcohol or whether the Centre exercises exclusive control on the sub
- The case raises questions about whether states have the authority to regulate and control the sale, distribution, pricing, and other aspects related to industrial alcohol, considering the overlapping jurisdiction between state and central laws.
- **Ch Tika Ramji vs State of UP, 1956**- The Court upheld a legislation enacted in UP to regulate the supply and purchase of sugarcane.
- It was challenged on the grounds that under Section 18-G of the IDRA, the Centre had exclusive jurisdiction over regulation of the sugar industry.
- The court held that Section 18-G is not meant to "cover the entire field" and the state still had power to legislate on matters relating to the sugar industry under Entry 33 of the Concurrent List.
- **Synthetics & Chemicals Ltd v. State of Uttar Pradesh, 1989**- The Court held that States' powers, as per Entry 8 of the State List, were limited to regulating "intoxicating liquors" which are different from industrial alcohol.
- The Court said that only the Centre can impose levies or taxes on industrial alcohol, which is meant for human consumption.
- **Uttar Pradesh Excise Act, 1910**- In 1999 the State has introduced a 15% fee for sales made to license holders, this fee was applied to alcohol used directly or a solvent for vehicles even if it appeared in the final product to some extent.
- It was challenged as the Centre had exclusive jurisdiction over industrial alcohol under *Section 18-G of IDRA, 1951*.
- The Allahabad High Court declared the State's notification as invalid, the court held that the state legislature's authority extended only to the regulation of drinkable alcohol not denatured spirits or industrial alcohol.
- It was appealed in Supreme Court for further examination.

What is the stand of Uttar Pradesh?

- The phrase "intoxicating liquors" in Entry 8 of the State List encompasses all liquids containing alcohol, the terms like liquor, spirit and intoxicant were already used in excise laws before the Constitution came into force.
- The Centre's power under the Union list doesn't extent to finished products such as industrial alcohol, instead it falls under Concurrent list.
- To exercise exclusive control over the regulation of industrial alcohol, the Centre would need to issue an order under Section 18-G of IDRA, 1951.
- **ITC vs Agricultural Produce Market Committee, 2002**- The Supreme Court emphasized that States not mere appendages of the Centre and that their reserved powers should not be undermined.

References

1. Indian Express- Can States levy excise duty on industrial alcohol
2. Times of India- Only consumable liquor under State's control



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