

NOTIFICATION
27th September 1935.

No.12187-Exc.---In exercise of the powers conferred by section 59 of the Punjab Excise Act, I of 1914, as extended to the ¹[Khyber Pakhtunkhwa] by Chief Commissioner's notification No.120-Exc., dated the 8th/9th February 1915, the Revenue Commissioner is pleased to make the following rules for the manufacture of medicinal and other preparations containing rectified spirit. These rules shall be called the ²[Khyber Pakhtunkhwa] Chemical Works Rules, 1935:—

THE ³[Khyber Pakhtunkhwa]
CHEMICAL WORKS RULES

SECTION A.— Definitions.

1. The words “Chemical Works” mean the premises or part of the premises approved and licensed by the Revenue Commissioner for the manufacture of medicinal and other preparations containing alcohol under bond and for the storage of alcohol and finished preparations containing alcohol on which duty has yet to be paid. The instructions for the management of distilleries contained in the Punjab Distillery Rules, published in Chapter 9 of the Punjab Excise Manual, volume II (1933 edition), shall apply to Chemical Works in such of their details as are not provided for in the following rules and to such extent as the Revenue Commissioner may from time to time direct.
2. "Spirit Store" means that part of the Chemical Works which is set apart for the storage of rectified spirit.
3. "Laboratory" means that part of the Chemical Works in which the actual manufacture of the medicinal and other preparations containing rectified spirit takes place.
4. "Warehouse" means that part of the Chemical Works in which finished preparations containing rectified spirit, on which duty has not yet been paid, are stored.
5. "Rectified spirit" means spirit of the strength of 43 degrees or more over proof.
6. "Officer in charge" means an officer of the Excise Department deputed to supervise Excise work in the Chemical Works.
7. “Approved Manufacture” means a person to whom a license has been granted in Form M.C.-12 for the manufacture of medicinal and other preparations in bond.

¹ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

² Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

³ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.

SECTION B.- Licenses and Licensed Premises.

8. Any person desiring to use rectified spirit of Indian manufacture for the manufacture of medicinal and other preparations under bond shall apply in writing to the Collector of the district giving the following particulars:-

- (a) name or names and addresses of the applicant ;
- (b) the situation of the Chemical Works ;
- (c) the maximum quantity of proof spirit likely to be in stock at any one time on the licensed premises ;
- (d) the amount of security which the applicant is prepared to furnish as a guarantee for the performance of the conditions under which the privilege is granted ; and
- (e) a correct plan of the buildings to be used. The plan shall be submitted in duplicate, drawn to scale on tracing cloth, showing the plan and elevation of the premises and the position of the spirit store, laboratory and warehouse and the exact position and dimensions of all permanent vessels for the storage of rectified spirit or medicinal or other preparations and of all compounding tables, almirahs, safes, sinks and all important details connected with the Chemical Works or with the vessels in it.

9. In case the application is granted no further alterations will be made in the building or plant without the previous sanction of the Revenue Commissioner.

10. The application shall be forwarded by the Collector for the consideration of the Revenue Commissioner, who, if he accepts the application, will fix the nature and amount of security, which each applicant (subsequently referred to as the approved manufacturer) will be required to give for the due execution of these rules and the payment of all sums chargeable against him. The Revenue Commissioner may at any time require a change in the security if the amount originally fixed should prove unsuitable.

11. Each application shall include for the approval of the Revenue Commissioner-

a list of the preparations of which the manufacture is proposed, under the following heads:-

- (a) medicinal preparations;
- (b) toilet preparations;
- (c) non-medicinal essences;
- (d) perfumed spirits;

and if necessary under a further miscellaneous head. The Revenue Commissioner in consultation, if necessary, with the Medical Officers of Government reserves the right to exclude any preparation or preparations from the list or to transfer preparations from one head to another.

12. A license in Form M.C.-12 may be granted by the Collector for a period not exceeding one year and ending on the 31st March. It may be renewed from year to year by the Collector, who may however on sufficient cause shown refuse to renew it or may at any time determine it.

13. Sales under this license shall only be of such preparations as the Revenue Commissioner may approve, and sales of medicinal preparations duty free shall only be made to such Government and charitable hospitals and dispensaries as have been approved by the Revenue

Commissioner.

14. ⁴[The license shall be granted or renewed on the payment of Rs. 1000.00 as annual fee, which shall be paid within 15 days of the grant of the license or in case of renewal within 15 days of the commencement of the financial year for which the renewal is sought.]

15 If the approved manufacturer goes out of business, he shall dispose of his stock of rectified spirit and unissued preparations in such manner as the Revenue Commissioner may direct.

16 The approved manufacturer shall not transfer or divide his interest in the business without the previous permission of the Revenue Commissioner.

17. The Chemical Works shall at all time be open to inspection by authorized Government servants who may take any necessary samples for analysis.

18. The cost or a portion of the cost of the Excise staff required for supervision may be charged to the approved manufacturer, as the Revenue Commissioner may direct.

19. Work in the Chemical Works shall only be carried on during such hours as may be fixed by the Revenue Commissioner. The works shall only be opened in the presence of the Officer-in-charge, appointed to supervise the work there.

20. Only the approved manufacturer or his manager and such servants, as are required to be there, shall enter the Chemical Works. The approved manufacturer shall furnish to the officer-in-charge a list containing the names of the manager or assistant manager employed by him and of all the employees whose duties require them to enter the Chemical Works. He should inform the officer-in-charge of any changes which are to be made in the list. The officer-in-charge shall forward a copy of such list to the Collector.

21. If the licensee from any cause, physical or mental, becomes incapable of carrying on business, or dies, or becomes insolvent, or in the case of company, is wound up, the Collector may either (1) cancel the licence or (2) continue it; in the name of the legal representative of the licensee. Neither the licensee nor any other person shall be entitled to any compensation or damage what-so-ever in respect of the revocation, cancellation or determination of the licence.

SECTION C. – Manufacture

22. No preparation, other than those previously approved by the Revenue Commissioner shall be manufactured under these rules.

23. Rectified spirit and absolute alcohol, obtained or prepared under these rules shall not be sold to public or trade, provided that transfers from one Chemical Works to another may be made with the special sanction of the Revenue Commissioner.

24. Rectified spirit may be obtained in bond without pre-payment of duty from any distillery

⁴ Substituted vide Notification No. 2014-64/1277-EX.1 Dated 30.6.1964.

in the Punjab or elsewhere in quantities not less than 10 Gallons at a time , under a .permit issued by the Collector of the district of destination. In any case however the quantity in the possession of the approved manufacturer shall not exceed a limit fixed by the Revenue Commissioner and an un-necessarily large stock of spirit shall not be carried by the approved manufacturer.

25. Immediately on receipt of the consignment, the officer-in-charge shall enter in ink upon the pass the bulk gallons strength and proof gallons found by him after gauging and proving as well as the transit wastage in proof gallons for each vessel. The passes shall be retained along with other accounts and kept in a special book file. The Revenue Commissioner, after considering the monthly return furnished under rule 44, may call upon the approved manufacturer to pay duty at such rate not exceeding the tariff rate, as he thinks fit on the whole or any part of the wastage which may appear excessive or due to theft or fraud.

26. Rectified spirit shall be emptied forthwith into locked vessels in the spirit store of the Chemical works. Each such vessel shall be fixed and gauged and shall be marked with words "Rectified spirit..... Store Vessel," the capacity of the vessel and a distinctive number. Tables shall be compiled to show the contents of each inch and tenth of an inch of its depth in Register Form D. 6. Excise ticket locks shall be placed on the main door and discharge cocks of such vessels. The officer in-charge must take the dip in each store vessel once every time the spirit is issued as a check on loss or abstraction. The dip thus taken must be entered in diary in Form D.9 and the prescribed account in Form M.C. 1.

27. The charging and discharging pipes of spirit store vats, and all vessels used for the store of spirit, all main doors of such vats or vessels, and the doors of spirit store, laboratory and the warehouse shall be so fitted as to enable them to be closed with two locks, the keys for which are not interchangeable, and of which one lock shall be a revenue lock (ticketed) in charge of the officer-in-charge and the other in charge of the approved manufacturer. The keys of all the revenue locks shall be kept by the officer-in-charge in whose absence no doors or vessels in the Chemical works shall be unlocked or remain unlocked.

28. Any distilling or converting apparatus which may be erected shall be locked with ticketed locks, and the reservoir, trap vessels, works, etc, in-Which portable spirit may be contained or received shall be so constructed as to prevent abstraction of spirit before the officer-in-charge has taken an account of it.

29. No spirit shall be removed from any store vessel until an account of the quantity and strength has been taken by the officer-in-charge.

30. Whenever any preparation is to be manufactured, the spirit required for such preparation shall be obtained from the spirit store for the manufacture of particular preparations. The spirit thus obtained shall be added without delay in the presence of the officer-in-charge to the respective materials to be treated, and to every percolator or other vessel in which the spirit is placed, there shall be attached a label in Form M.C.8 showing the description of the preparation, the date with the quantity and strength of all spirit placed in it from time to time and the date on which any of the finished products were removed to stock with the quantity so removed.

31. Spirit recovered from residues shall be either --

- (a) transferred to a gauged and locked vessels kept for the purpose and thence removed for use as required; or
- (b) Used at once in continuation of the process from which it was obtained; or
- (c) Destroyed in the presence of the officer-in-charge who shall certify in red ink in the diary in Form D-9 its quantity and apparent strength or,
- (d) kept for use in some special way approved by the Revenue Commissioner.

32. If it is not intended to recover from the residues the contained spirit the residues must be destroyed in the presence of the Officer-in-charge, who will record this as directed in rule 31.

33. In cases in which it is necessary to use some quantity of the finished preparation instead of, or in addition to, rectified spirit, the quantity so required shall be taken from the ware-house and added in the presence of the Officer-in-charge without delay to the materials to be treated. Such quantity shall be shown separately in columns 2, 3 and 4 of Form M.C. 3 with a reference to the number of the batch from which it was taken, and on the label attached to the percolator or other vessel. It shall also be shown in Form M.C. 4, the entry in column 8, being "used in manufacture of.....". It shall, however, be deducted from the monthly total of column 10 of Form M.C. 3 since the spirit contained in it is replaced in stock and is not shown as issued in Form M.C.7.

34. (1) The finished preparations shall be kept separate from those in the course of preparations and be stored in a separate store room approved for the storage of finished preparation, called "the ware-house". The door of the ware-house must be fastened with Excise ticketed locks. The words "ware-house for bonded medicinal and other preparations" must be painted on the door in which these preparations are allowed to be stored. Similarly the words "Spirit Store" and "Laboratory" shall be painted on the doors of the rooms set apart as such.

(2) Finished preparations may be stored :-

- (a) in bulk, in Jars or bottles containing not less than one quart (40 fluid ounces); or
- (b) Stored ready for issue in bottles of not less than two fluid ounces capacity, every bottle containing not less than two fluid ounces of a preparation.

(3) Every preparation stored in bulk must be measured into the storage vessels to the nearest fluid ounce by the Officer-in-charge, who must then close and seal the vessel with his Official seal.

(4) The description, quantity and true strength of the preparation must then be recorded on a label in Form M.C. 8 by the approved manufacturer or his agent and each label must also bear the distinctive serial number corresponding with the number entered in the prescribed register (Form M.C.3).

(5) In the case of preparations stored in bulk, the Label on every vessel must be signed and dated by the officer-in-charge.

(6) When any of the contents of a vessel referred to in clause 2 (a) has been removed, the officer-in-charge must enter on the label attached thereto the quantity taken out and the manner of disposal with his signature and date. Finished preparations shall only be removed from the ware-house in accordance with an application in Form M.C. 6. The approved manufacturer must state in Form M.C. 6 the number of bottles or Jars in which each preparation is contained and the bulk quantity to be removed.

(7) Sub-rule (4) must be followed in respect of preparations referred to in sub-rule 2 (b), but the contents of bottles are to be checked at the time of issue according to the following scale:

Whenever the number of bottles in any consignment does not exceed 100, the Officer-in-charge is to measure one in every 25 and fraction of 25 up to 50 and one in any remaining number up to 100. When the number exceeds 100, three bottles are to be measured in the first 100 and one in every 50 and fraction of 50. A large proportion should be measured, should the officer-in-charge consider it necessary. The officer-in-charge must certify in Form M.C.6 the number of bottles issued, and how many were checked on measurement. Only standard gallon measures and graduated glass measures, approved by the Revenue Commissioner, are to be used in gauging preparations.

35. Samples of any finished preparation may at the time of its removal to the ware-house be taken for dispatch to the Chemical Examiner for analysis and test of the amount of proof spirit contained therein. Not less than ten percent, of the preparations issued from the Chemical Works in the month should thus be sampled. The officer-in-charge is responsible for ensuring that not less than this percentage of issues is sampled monthly. The following procedure shall be observed in sampling the preparations:-

- (1) A sample shall not be less than three fluid ounces.
- (2) Every sample must be taken, in duplicate, personally by the officer-in-charge. The cork of every bottle must be sealed by him with a revenue seal and the name of every preparation must be stated on a label affixed to each bottle. The duplicate sample should be kept under Excise locks until the result of analysis has been received unless specially asked for by the Chemical Examiner or the authority to replace the original samples or to repeat an analysis. Duplicate samples to which no further reference can be needed may be returned to the approved manufacturer.
- (3) The sample must be placed in a case and securely fastened with tape or wire provided by the approved manufacturer and be sealed by the officer-in-charge with a revenue seal and delivered without delay at the expenses of the approved manufacturer to the Chemical Examiner or any other authority appointed by Government in this behalf.
- (4) An advice letter in Form M.C. 9 must be dispatched to the Chemical Examiner or authority at the same time.

36. The approved manufacturer must submit, if required, samples of all or any of his

medicinal preparations to the Chemical Examiner or such medicinal officers as Government may designate for test, and must agree to abide by any rules drawn up by the medical officers of Government authorised in this behalf with a view to ensuring the efficacy and purity of the medicinal preparations produced in the Chemical Works.

37. At the time of issue the approved manufacturer shall declare the strength of finished preparations and all calculations of duty on rectified spirit contained in finished preparations from the ware-house shall be made according to the strength declared by the approved manufacturer, unless the result of the Chemical Examiner has been received before issue. If the strength of sample actually found by the Chemical Examiner does not exceed the declared strength by three degrees, then no correction need be made in the strength of the preparations shown in the registers, but if the actual strength exceeds the declared strength by three degrees or more, then the strength of the preparation as well as the quantity shown in proof gallons shall be corrected accordingly. A surcharge of duty shall be levied in the latter case if any issues have been allowed from the particular batch before the receipt of the Chemical Examiner's report. No refund will be allowed if the strength declared by the approved manufacturer is found higher than the actual strength reported by the Chemical Examiner. At the close of each month the officer-in-charge shall make a list giving the name of the preparations, number of gallons manufactured, batch number, declared strength and strength found on analysis during the month in regard to which the strength found by the Chemical Examiner exceeded the declared strength by three degrees or more. The list shall be sent by the Deputy Commissioner immediately to the Revenue Commissioner who may impose a penalty to the extent of ten times the shortage of duty on the quantity manufactured.

SECTION D. – Issue of Tinctures, Extracts and Other Preparations

38. An, account of all medicinal or other preparations received into and issued from the ware-house shall be maintained in Form M.C. 7. All issues shall be made only on application by the approved manufacturer in Form M.C 6 which shall be accompanied by treasury receipt in token of payment of the prescribed duty on the preparations concerned. The officer-in-charge, after satisfying himself that the amount of duty has been paid to the treasury shall issue the preparations applied for and shall grant a pass in Form L-4.

39. The approved manufacturer may make an advance deposit against payment of duty an issue of finished preparations may then take place so long as sufficient balance is available. In this case the officer-in-charge shall keep an account in Form D.15.

40. All jars, bottles or other vessels and packages in which consignments are issued shall be sealed by the officer-in-charge with his official seal before they leave the ware-house. Every bottle containing such preparations shall bear a label on which the percentage of alcohol contained in the preparation is clearly and accurately indicated. Medicinal and other preparations put up in small bottles shall be packed in boxes containing such number of bottles that the total proof spirit, contents of the preparations contained in each box is not less than 0.1 proof gallon. These boxes shall be securely fastened and sealed by the officer-in-charge.

SECTION E. – Accounts to be Maintained and Returns to be Submitted

41. The officer-in-charge shall maintain a diary in Form D-9 in which he shall record from day to day all the relevant entries regarding operations carried on in the chemical works.

- 42.** The following register shall be maintained by the approved manufacturer:-
- (a) M.C. 2 Stock account of spirit used for making Tinctures.
 - (b) M.C. 3 Register of operation in the Laboratory.
 - (c) M.C. 4 Stock account of each preparation.
 - (d) M.C. 6 Application for pass for the removal of medicinal or other preparations from the Chemical works.
 - (e) M.C. 8 Labels.
 - (f) M.C. 11 The monthly return.
- 43.** The following registers shall be maintained by the Officer-in-charge:-
- (a) M.C. 1 Vat account of spirit received in the spirit store.
 - (b) M.C. 5 Account of spirit recovered in the Laboratory.
 - (c) M.C. 7 Account of finished preparations issued from the ware-house.
 - (d) M.C. 9 Advice of samples sent to the Chemical Examiner.
 - (e) M.C. 10 Account of samples sent to the Chemical Examiner.
 - (f) D-6 Table book of spirit Vats.
 - (g) D-9 Inspector's Diary.
 - (h) D-15 Register regarding advance payment of duty.

44. At the end of each month the approved manufacturer must deliver a statement in Form M.C. 11 in duplicate, to the officer-in-charge who shall verify its correctness and forward a copy of it through the Collector to the Revenue Commissioner. He shall furnish such true statements as may be required by the Collector in Forms prescribed under the rules.

45. All registers and forms of the M.C. and D series shall be printed and supplied by the approved manufacturer free of charge. Forms bound together shall bear printed serial and consecutive numbers. Loose sheets of such forms as are necessary shall also be supplied to the officer-in-charge.

SECTION F. – Stock Taking and Wastage

46. The stock of spirit in the spirit store shall be taken by the officer-in-charge on the last working day of each month.

47. The stock of medicinal or other preparations containing rectified spirit in the ware-house shall be similarly taken.

48. Nothing in these rules justifies the use on a label or in an advertisement or words stating or implying that the preparation is sold under a Government guarantee as to contents or quality.

49. If a fire occurs in a Chemical works, the Collector shall immediately cause an enquiry to be held by a Gazetted Officer in order to determine the liability of the licensee to pay duty on the spirit wasted. No duty will ordinarily be assessed on the spirit on which duty has not been paid, but if duty has been paid on any quantity of spirit contained in the preparations, although these have not left the chemical works, the Collector must satisfy himself that the spirit was really destroyed before any refund is paid. If such a refund is to be paid, it shall be calculated on the

actual quantity of spirit on which duty has been paid. Once preparations have passed out of the chemical works no refund of duty shall be paid upon them. The previous sanction of the Excise Commissioner is required before any refund can be paid, and if either duty is to be levied or a refund is to be granted the collector in his report should to a clear finding whether the loss was due to preventable causes, which should have been foreseen, or guarded against by the Licensee.

50. (1) If the approved manufacturer infringes or causes or permits any person to infringe any of the conditions enumerated above or any of the conditions of the license, the Collector may revoke and determine the license and he may forfeit to Government the whole or any part of the security deposit:

Provided that if the infringement is of minor nature, the license may be restored and the order forfeiting of the security may be set aside on payment of a sum not exceeding Rs.50.

51. The Revenue Commissioner reserves to himself the right of adding to, altering, revising or changing these rules from time to time, either after or without consulting the licensee of Chemical Works and the licensee shall carry out all orders and instructions issued in these rules in their original or revised form so long as he holds his license.

Secretary to Government of ⁵[Khyber
Pakhtunkhwa], Excise and Taxation
Department.

⁵ Sub.by the Khyber Pakhtunkhwa Act No. IV of 2011.