TeamLease® RegTech
Helping India Comply

SIMPLIFYING COMPLIANCE MANAGEMENT FOR THE ALCOHOLIC BEVERAGES INDUSTRY

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EXECUTIVE SUMMARY

The global alcoholic beverages (alco-beverage) market was estimated to be worth $1.55 trillion in 2022 and is expected to grow at a 6% CAGR over the next few years. According to the Indian Council for Research on International Economic Relations (ICRIER), India is one of the fastest-growing markets globally, with an estimated market size of $52.5 billion (2020) and is expected to grow at a CAGR of 6.8%. The alcohol consumer base is expected to reach 386 million people in India by the end of the decade, with almost 13 million people reaching the legal drinking age in the country every year. The growing demand is a result of multiple factors, such as rapid urbanisation, favourable demographics, changing social norms and consumer preferences. Furthermore, rising disposable income for the young middle class, increased accessibility (with an increase in pubs/hotels/restaurants), availability (Alcohol in Supermarkets), weak enforcement of State Excise Policies and the absence of a national policy is contributing to the continuous growth in demand.

The Sector employs close to 20 million jobs (direct and indirect jobs) and directly supports nearly 40 lakh farmers. Additionally, the sector is amongst the highest revenue contributors to a State's Revenue, with a contribution of 50% or more of the total tax collection for several states. Alco-beverages have been kept out of the ambit of GST, with every State having the authority to frame rules and regulations to control the entire supply chain of alco-beverages from manufacturing and distribution to registration and retail.

Some states, such as Haryana and Punjab, have adopted a system of lottery/auction of wholesale and retail licenses to assure revenue from licenses irrespective of the sale of liquor.

Although the Sector has witnessed growth in the past years, India's share in global import/export of alco-beverages is not very encouraging. India experiences a negative trade balance, with Imports equalling 1.6x of the overall Exports. India's exports have always been < 1% of the overall revenue and have grown at a CAGR of just 2% in the last five years. The top 5 countries to whom India exports are UAE, Ghana, Singapore, Congo D. Reb. and Cameroon and majorly imports from USA and UK.

With the regulatory framework changing from one State to another, there are wide variations in State-wise policies in terms of requirements, frequency & timelines for policy revisions, the turn-around time for grant/renewal of licenses, and adoption of technology, among others. Moreover, these policies are not clearly aligned with the Government's **'Make in India'** objective. Over the Past, companies have experienced frequent and ad-hoc policy changes, creating uncertainty and thereby preventing multiple players from entering this Sector.

Given this background, this report, based on secondary information analysis, provides an overview of the Indian alco-beverages industry, its classifications in terms of players engaged in the overall supply chain (including manufacturers, wholesalers, retailers, consumers, etc.) and the broader rules and regulations impacting each of them. Additionally, the report briefly highlights the variations in state-specific rules and regulations.

INDUSTRY CLASSIFICATION

The alco-beverage industry has a broad scope extending across both the manufacturing and service sectors. The industry can be classified based on either of the following:

1

Type of Alco-beverages produced

Nature of Operations of the enterprises

2

3

Illicit / Unregulated Alcohol

Type of Alcoholic Beverages

Alco-beverages can be classified into two major categories

- **Distilled Beverages** can be further divided into Brandy, Country liquors, Gin, Rum, Vodka, and Whisky among others.
- **Fermented Beverages** are also subdivided into Wine, Cider, Perry, and Beer among others.

DISTILLED BEVERAGES & FERMENTED BEVERAGES

The Alco-beverage market is dominated by four main beverages

BEER

Beer: Beer is an undistilled beverage that is also one of the most popular alcoholic beverages in the world. This alco-beverage is produced via the process of brewing, which includes the fermentation of cereal grains, such as barley, wheat, rye, oats, rice etc. The alcohol content in a beer can range anywhere from 0.5% to 8% ABV (Alcohol by Volume) under Indian laws.

WINE

Wine: Considered one of the oldest alcoholic beverages in the world, wines can be traced back to 5000 BCE. It is produced by fermenting crushed grapes with yeast. The permitted ABV levels for wines range from 1.5% to 24% based on the type of wine.

IMFL

Indian-Made Foreign Liquor (IMFL): This category consists of distilled spirits and is dominated by brown spirits. The segment accounts for around 67% of the total Alco-Beverage market share in the country. The ABV for distilled spirits is capped at 50%

IMIL

Indian Made Indian Liquor (IMIL): Also called country liquor, these alco-beverages are produced from distilling fermented carbohydrates of agricultural origin. These are mainly locally produced drinks. Country liquor ABV is between 19% to 43%.

Nature of Operations

Overall supply chain can be segregated into 03 stages, Manufacturing, Distribution & Storage and Retail

MANUFACTURING

Each alco-beverage requires a different manufacturing process. These are termed as follows:

- **Brewery:** A building or place where beer is manufactured and places of its storage
- **Microbrewery:** A brewery that produces limited quantities of beer, typically for consumption on its own premises
- **Manufactory:** A building or place where liquor is manufactured and places of its storage
- **Distillery:** A factory building where a strong alcoholic drink is made by the process of distilling
- **Maturation warehouse:** A building, mostly attached to a distillery, in which the spirits slowly mature in oak barrels for years
- **Bottling plant:** The premises where the bottling of liquor is done and is placed for storage

DISTRIBUTION & STORAGE

Beverages can be distributed either via a Direct Channel (directly to customers) or via an Indirect Channel (via Intermediaries), Mostly companies adopt an Indirect Channel and create a network of Distributors, Wholesalers, and Retailers to distribute its products.

Distribution mainly includes the transportation and storage of Alco-beverages:

- **Transportation:** Alcohol requires specialised vehicles for its transportation on account of its sensitivity to external factors. It requires sealed, clean vehicles that keep constant humidity levels and maintains temperature regimes (complete blackout of cargo space). Alcohol can be transported in tanks, barrels and bottles.
- **Storage:** Alco-beverage can be stored in either of the following:

  Excise Bonded Warehouse: Place where foreign liquor is stored liquor without payment of duty

  Customs bonded warehouse for liquor storage: Facility that holds imported, duty-payable goods for processing before its delivery to their final destination

  Liquor warehouse: Place where the storage of liquor is permitted and includes the relevant part of manufacturing

RETAIL

This stage covers the manner in which the alcoholic beverages are made available to the Direct Consumer. There are two retail options through which the alcoholic beverages are sold to direct customers:

- **Liquor store:** A shop from where liquor is sold directly to the customer
- **Bar, Pub, Restaurant, etc.:** A retail business or establishment that serves alco-beverages

Unregulated Alcohol

While reviewing the industry, it is essential to understand 'Illicit Alcohol' as well since it forms a large part of alcohol consumed in India, especially in rural areas. Many distilleries produce alcohol illegally (set-ups akin to cottage industries). The alcohol produced from these units is usually adulterated as they do not follow any set quality standards. Additionally, the production of illicit liquor in homes for personal use is also a common phenomenon. Apart from being adulterated and harmful, illicit alcohol also evades all national and state-level taxes and duties, thus making it very cheap and affordable. This unregulated industry is growing yearly mainly because of State Excise Policies (with a higher cost of production) and States banning alcohol.

REGULATORY FRAMEWORK FOR ALCOHOLIC BEVERAGE INDUSTRY

The Constitution of India, in **'Article 47'** of the Directive Principles of State Policy, includes the prohibition of alcohol and directs States to bring about the prohibition of intoxicating drinks. With no adoption of a National Policy for Alcohol in the last 75 Years of independence, Alcohol has remained a **'State Subject'** wherein each State has complete control of its alcohol legislation and state excise rates, as well as organising production, distribution, and sale of alcohol. Most State Policies are designed with the intent to boost revenue from the sale of alcohol. In the absence of guidelines or minimum standards for how states should regulate alcohol production, distribution, and consumption, each State has a different regulatory framework to govern various aspects.

While alcohol policies may vary in each state, most of them follow similar alcohol control measures, which, if implemented effectively, can control the harm caused by alcohol. Some of these control measures are as follows:

- Levy of duty on alcohol
- Prescribing minimum legal drinking age
- Declaration of dry days
- Printing of 'Health Warning' on alcohol bottles
- Restrictions on advertisements and sponsorship
- Restrictions on liquor shops near Schools, place of worship, etc.
- Restrictions on time/place of sales of alcohol
- Ban on drinking in public places

The incumbent regulatory complexities in the Alco-Beverage sector can be classified in three broad categories:

- Regulatory requirements for Enterprises and Consumers
- Variations in State Policies and their Implementation (comparing select States)
- Additional Challenges faced by Enterprises

REGULATORY REQUIREMENTS FOR ENTERPRISES AND CONSUMERS

The regulatory requirements for Enterprises have been categorised based on which level of the supply chain they belong to, such as manufacturing, storage, and sale to end consumers.

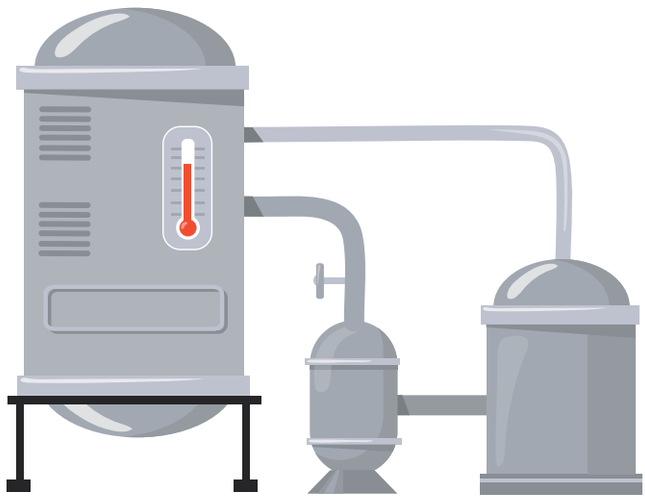
This report broadly reviews the compliance requirements for an Enterprise comprising a **'Corporate Office'** and a **'Manufacturing Facility'**.

Basic Assumptions made while collating the compliance listing:

- Enterprise is a Private Limited Company
- Enterprise has a 'Distillery' Unit
- Office and Manufacturing facility are in the State of Maharashtra
- The Review excludes 'Event specific compliances' which are applicable to an Enterprise only if an incident occurs like an accident, etc.

REGULATORY REQUIREMENTS FOR ENTERPRISES AND CONSUMERS

1. Manufacturers



For an Enterprise that intends to initiate a manufacturing facility for the production of alco-beverages is required to comply with several regulatory requirements, which can be broadly classified into the following 02 categories:

- Obtaining Statutory Licenses & Permissions
- Adhering to routine Compliance Requirements under various laws post initiation of production activities

The above mentioned Compliance Requirements are further discussed in detail below.

1.1 Licenses and Permissions

Every Enterprise initiating a new manufacturing facility for the production of alco-beverages from scratch (i.e. construction of the entire facility) is required to initially obtain close to **99+ licenses** at various stages of business from Central, State and Municipal Authorities. These stages can be classified as follows:

Table 1: A brief overview of Licenses and Permissions required in the various stages of a business:

Stage	Broader Activity	# Licenses / Permission*	Select Examples
Setting up	Entity Incorporation	2	• Name Approval • Company Registration
Pre-commissioning Stage	Labour Safety / Health Approvals	4	• Factory License • S&E
	Approvals for Construction Phase	4	• Construction Permit • NOC for Excavation
	Approvals for Supporting Infrastructure	3	• NOC for Storm Water and Drain • Permission for abstraction of ground water
	Approvals prior to start of Constructions	13	• Building Layout Approval • Consent to Establish
	Electricity related Approvals	4	• Approval for Lift / Elevator for Plant • Layout Approvals for DG sets
	Land Allotment	3	• Ownership Certificate • Registration of Land
	Project Approvals	3	Trade License
	Tax Related Registerations	3	• Excise Registration • VAT Registration
Post Commissioning Stage	Approvals related to labour safety and health	4	• Registration of Employer • Registration of Establishment
	Construction Related Approvals	10	• Building Completion Certificate • Certificate of Stability
	Industry Specific Approvals	33	• Central FSSAI License • Brewery Licence (Manufacture of Beer), • Distillery Licence
	Utility and support facility related approvals	11	• Approval for Weight & Measures • Consent to Operate
Post-Production Stage	Commencement of Operations	2	• Registration as Packer • Registration of trademark

These Licenses and Permissions can be further dissected based on:

Table 2: Distribution of Licenses and Permissions on the basis of Acts

Level of Legislation	No. of Acts
Central	25
State	40
Municipal	2

Table 3: Bifurcation of Licenses and Permissions on the basis of Mode of Application

Mode of Application	Number of Licenses/ Permissions
Online	83
Physical	16

Table 4: Bifurcation of Licenses and Permissions based on nature of Requirements

Nature of Requirements	Number of Licenses/ Permissions
Mandatory	41
Conditional	58

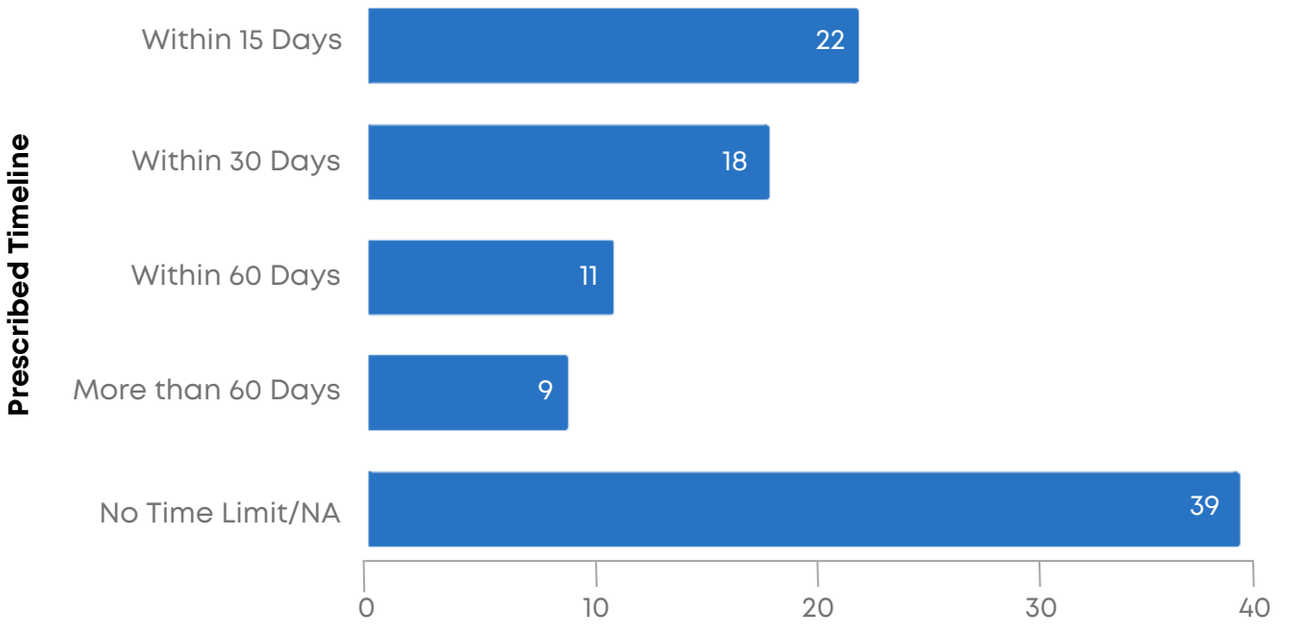
These requirements are conditional requirements that are applicable based on several factors like the type of product manufactured, turnover, geographical location, vicinity to Airport/ Coast/ Archaeological monument, Installation of Lifts/ DG Sets, trimming of trees, etc.

Table 5: Bifurcation of Licenses and Permissions based on Renewal Requirements

Renewal Requirement	Number of Licenses/ Permissions
One-Time	64
Periodic Renewal	35

Most of the Licenses (requiring renewal) are issued for a period of 01 Year. Overall, for these 35 Licenses, the validity period ranges from 06 Months – 10 Years.

Figure 1. Split of Licenses and Permissions based on the Prescribed Timeline for their Grant



For the remaining 39 Licenses/Permissions, either the Government has not defined the timelines for the grant of License or could not be found during the research. Considering the above timelines, it can be tentatively assumed that an enterprise might take 'an average of 03 – 04 Years to obtain above-mentioned Licenses'.

Additionally, each License / Permission requires Enterprises to pay a different fee which can be either a fixed fee or is calculated based on several factors like the project's total area, total investment, No. of employees, etc.

1.2 Periodic Compliance Requirements Post-production

Once the Enterprise completes the construction of the manufacturing set-up and the Plant is ready for production, it needs to adhere to many compliance requirements under various laws across its operations, which means multiple departments within the Enterprise are required to comply with the same.

The list of compliances mentioned below excludes the compliances related to Renewal of Licenses/ Permissions (as the same is already covered in section 1.1 Licenses and Permissions)

The overall compliance requirements are briefly reviewed under the following perspectives:

- Classification based on Compliance Categories
- Classification based on Compliance under Central, State and Local Laws
- Classification based on Compliance Types
- Classification based Compliance Frequencies

1.2.1 Compliance Categories

The Compliance requirements can be broadly classified into the following categories of Laws:

Labour Laws

These laws specify the responsibilities of the employer and the rights of the employees covering general holidays, working hours, minimum wages, etc. Currently, 29 union legislations make up the regulatory framework for labour, which have been combined into four labour codes: Code on Wages, Industrial Relations Code, Occupational Safety, Health and Working Conditions Code, and Code on Social Security (Labour Codes are yet to be implemented).

Finance and Tax Laws

These Laws mainly include Direct Taxes (income tax, property tax, and corporate tax) and Indirect Taxes (GST, Customs duty, Excise Duty, etc.).

Environment, Health & Safety (EHS) Laws

This category addresses all environmental issues, such as pollution, waste management, and hazardous substance discharge, among others. It covers Air, Water and Noise Pollution, Waste Management (Bio-Medical, Solid Waste, E-Waste, Plastic Waste, and Hazardous Waste), among others.

Secretarial Laws

These Laws include laws on corporate governance and risk management issued by the Ministry of Corporate Affairs (MCA), Securities Exchange Board of India (SEBI), etc.

Commercial Laws

These include all laws overseeing the production and trade of goods and services and includes Motor Vehicles Act, Legal Metrology, state legislation on electricity consumption among others.

Industry-Specific Laws

These refer to the laws which have been designed for a specific industry. The Food Safety and Standards Act, 2006, is the parent legislation that governs all food and beverage items in the country.

General Laws

All other Laws which do not relate to any of the above categories can be classified as General Laws. It also includes state-specific legislation on municipal corporations and Gram panchayats.

Considering all compliance categories as mentioned above, an Enterprise with a Corporate Office and a Manufacturing facility must adhere to 986 compliances under 156 Acts.

Figure 2. Dissecting the Number of Acts Applicable to the Corporate Office and Manufacturing Facility of an Enterprise on the basis of Categories of Compliance

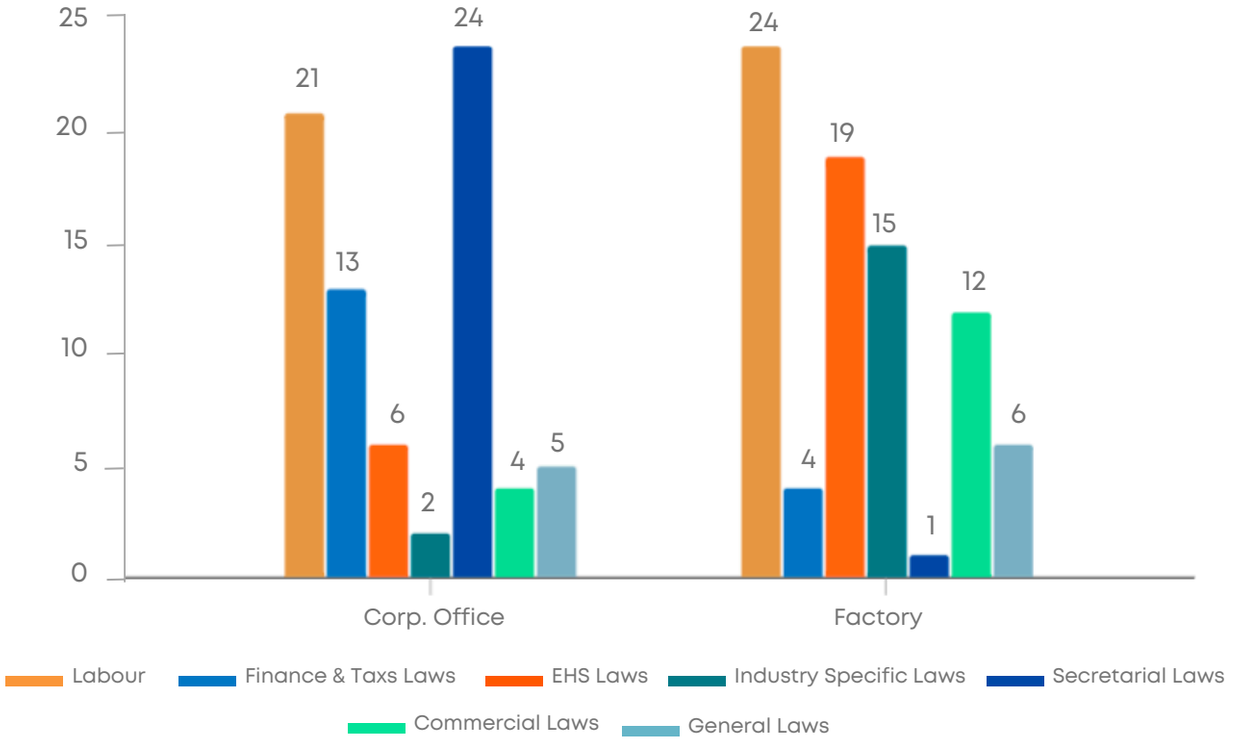
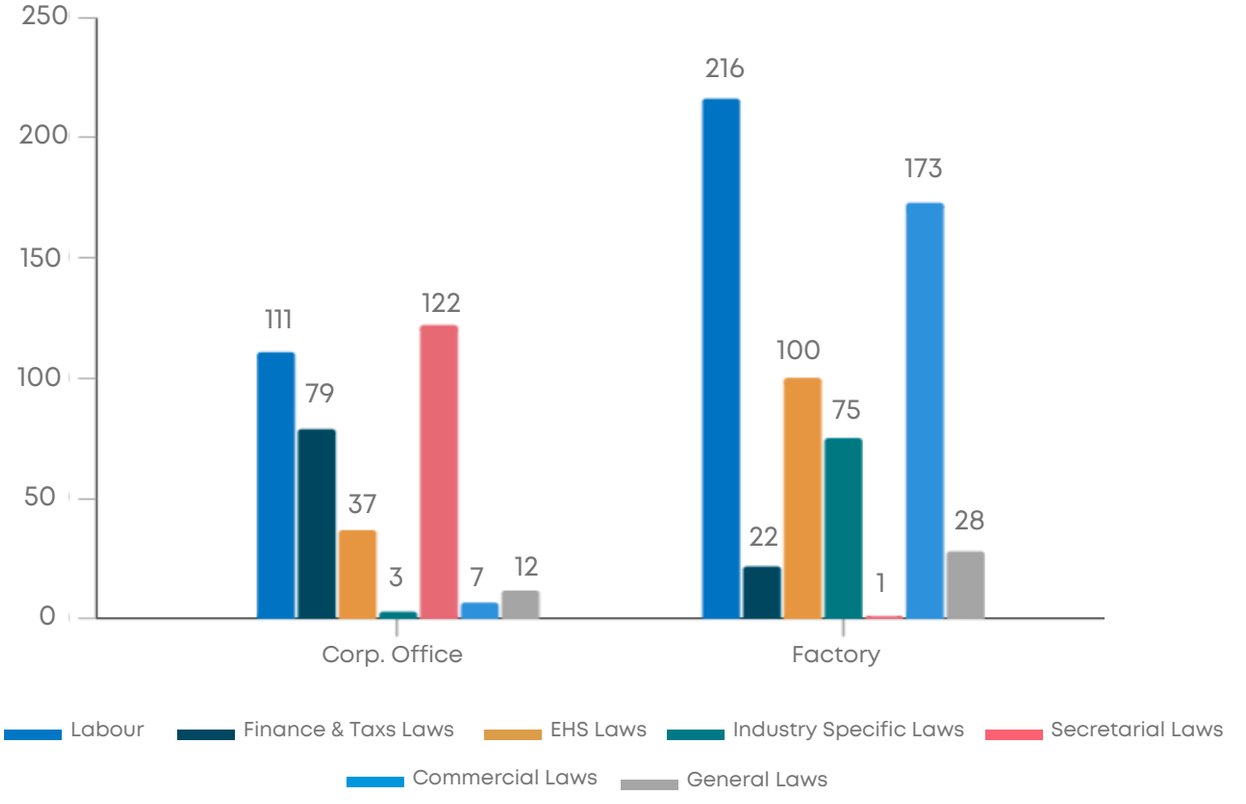


Figure 3: Dissecting the Number of Compliances Applicable to the Corporate Office and Manufacturing Facility of an Enterprise on the basis of Categories of Compliance



1.2.2 Compliance at Central, State and Local Levels

The Constitution of India divides legislative powers of the Union (Central) and State Governments wherein Union Government will have the exclusive power to make laws on all matters listed in the List I of the Seventh Schedule (Central Acts) and State Government has the exclusive power to make laws on the matters given in List II of the said Schedule (State Specific Acts). Both Union and State will have the powers to make laws on the matters listed in List III, also known as the Concurrent List, of the Schedule.

Additionally, State Government has the power to make **'Local or Municipal laws',** which in turn gives powers to the Local Government (Municipal Corporation) to make rules, and bye-laws for the implementation of the Act.

State-specific or Local Laws apply to an Enterprise only if it operates in a particular State or City. Accordingly, compliances under various legislations can also be classified as compliance requirements under **'Central, State and Local Laws'.**

Number of Acts

Central / State	Number of Acts		
	Corp. Office	Factory	Grand Total
Central Laws	63	48	111
State Laws	12	32	44
Municipal Laws	-	01	01
Total	**75**	**81**	**156**

Number of Compliances

Central / State	Number of Compliances		
	Corp. Office	Factory	Grand Total
Central Laws	294	288	582
State Laws	77	326	403
Municipal Laws	-	01	01
Total	**371**	**615**	**986**

1.2.3 Compliance Types

Compliances vary in terms of the actions required by an Enterprise to adhere to the requirements of the Law. Classifying these actions into specific buckets is a difficult task considering the diversity of requirements. Still, some of the important requirements can be classified as follows:

Registrations, Licenses and Permissions

These can be defined as approvals or permissions required by an Enterprise to carry on their business. These permissions are either one-time requirements or are required to be obtained/renewed periodically.

A summary of the required permissions has been highlighted in the earlier section of this report.

Returns, Disclosures and Intimations

All communications or submissions of the required data with authorities in line with the requirements of the law falls in this category. These submissions either have a fixed frequency (monthly, quarterly, half-yearly, annually, etc.) or are required to be submitted based on an event/transaction (appointment of a director, etc.)

An Alco-Beverage Enterprise, with an Office & Manufacturing facility, is required to adhere to 127 returns/submissions a year under 55 acts (34 Central Acts + 21 State Acts). This indicates almost 01 submissions every 03 days.

Maintenance of Registers and Records

Various authorities require Enterprises to maintain certain information in specific forms and formats. These requirements were originally introduced to facilitate the availability of readymade data during their physical visit/audits. Earlier, there were requirements to maintain them physically, which now most authorities accept in digital formats. For state-specific acts, many of these formats vary from state to state, especially for labour laws.

An alco-Beverage Enterprise with an Office & Manufacturing facility must maintain 168 different forms and formats under 60 Acts (39 Central Acts + 21 State Acts). Most of these are required either under Labour Laws or under Regulatory/ Industry specific regulations.

Payment of Statutory Duties / Taxes

Requirements related to payments are either payment of duties and taxes to the relevant authorities or statutory requirements of payments to its employees.

An Enterprise need to adhere to 30+ statutory payment obligations under 21 Acts (12 Central Acts + 15 State Acts + 01 Municipal Act). Further, there are additional 25+ obligations that the statute requires concerning employee payments.

Display Requirements

Several Indian laws require the display of certain sets of information either on its websites, notice boards, sign/ name boards, etc. These display requirements are meant for the benefit of the Enterprise's employees, visitors, customers, or vendors. This is brought into force with the intention to create awareness, educate stakeholders or make information available to the public or relevant stakeholders. The information needs to be displayed in English as well as the local vernacular language of the State where the Enterprise or its office is situated.

An Enterprise is required to display 118+ types of information under a total of 39 Acts (20 Central Acts + 19 State Acts).

Other Miscellaneous Classifications

Apart from the above categories, which constitute around 50% of the overall compliance requirements, other requirements can be as follows:

- Appointment of essential personnel such as Safety officer, Medical Officer, Food Safety Supervisor, various Auditors, etc.
- Audit related requirements like Safety audits, canteen audits, food safety audits, etc.
- Requirements related to the formation of Committees like Canteen Managing Committee, Safety Committee, Committee for POSH, etc.
- Requirements revolving around 'Safety & Welfare of Employees' covering the facilities required to be provided to employees (including women employees), actions required to ensure employee safety (requirements like first aid, fire extinguishers, medical examinations, etc.)
- Requirements related to 'Examination, Inspection & Testing' of various machines and equipment used by the Enterprise.
- Other miscellaneous requirements that do not fit the above classifications. Many of these requirements are in the nature of regulatory guidelines defined in the rules & regulations an Enterprise must adhere to during its day-to-day business operations.

1.2.4 Compliance Frequencies

Compliance frequency means the number of times a compliance must be met during a Year. Compliances can be of the following frequencies: one-time, weekly, fortnightly, monthly, quarterly, half-yearly, annually, once in 2 Years, and more. The frequency of compliance defines the overall volume of compliances for an Enterprise during the year. For example, a single monthly compliance must be adhered to 12 times a year (12 obligations in a year for one compliance).

Table 6. Dissection of Compliance Obligations of an Enterprise on the basis of Frequency of Compliance

Compliance Frequency	Number of Unique Compliance Obligations	Yearly Compliance Obligations
Monthly	202	2424
Quarterly	28	112
Four Monthly	1	3
Half Yearly	13	26
Annual	736	736
Two Yearly	6	986
Total	**986**	**3304**

For the ease of calculating the total compliance obligations, the following frequencies for above-mentioned compliance classifications have been considered:

Returns, Disclosures and Intimations	As per the Law
Maintenance of Registers and Records	Monthly Obligation
Payment of Statutory Duties / Taxes	As per the Law
Display Requirements	Annual
Other Miscellaneous Classifications	Annual

Additionally, all employee-related payment obligations which are majorly internal in nature have been considered as 'Annual' obligations.

REGULATORY REQUIREMENTS FOR ENTERPRISES AND CONSUMERS

2. Warehouse / Storage Facility

The enterprise engaged in the business of developing and managing a storage facility, especially for Alco-Beverages (for instance, a bonded warehouse), must also obtain Statutory Licenses & Permissions and adhere to routine compliance requirements under various laws as discussed in the above sections. These are discussed below.

2. 1 Licenses and Permissions

An Enterprise operating in the state of Maharashtra would need to obtain 8 licenses under 6 Acts. Here are the brief details:

Name of Legislation	Approvals / Registrations / Permissions
Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011	• Registration of Establishment • Central FSSAI License • State FSSAI License
Food Safety and Standards (Packaging and Labelling) Regulations, 2011	Approval for selling and labelling of Products
Prevention of Food Adulteration Act, 1954 and Prevention of Food Adulteration Rules, 1955	Licence to stock, distribute or exhibit for sale any article of food, including prepared food or ready to serve food or irradiated food
Maharashtra Prohibition Act, 1949 & Maharashtra Foreign Liquor (Storage in Bond) Rules, 1964	License to store foreign liquor in bond
Maharashtra Prohibition Act, 1959 and Maharashtra Rectified Spirit Rules, 1951	Licence for the storage in bond and for the wholesale of Rectified Spirit including Absolute Alcohol
Bombay Prohibition Act, 1949 and Maharashtra Country Liquor Rules, 1973	Licence authorising the storage & wholesale, sale of duty paid Country Liquor to retail shops

2.2 Periodic Compliance Requirements

This section takes a look at the compliance requirements specific to the Warehouse business only (ignoring all other common laws already discussed in the above section). The enterprise must adhere to compliance requirements under the following 06 Acts:

- State Excise Policy
- Food Safety & Standards Act, 2006 & Food Safety & Standard Rules, 2011
- Food Safety & Standards Act, 2006 and Food Safety and Standards (Food Recall Procedure) Regulations, 2017
- FSSAI Advisory on Disposal of food products unfit for human consumption; File No: RCD-11003/3/2021-Regulatory-FSSAI; Dated: 30th September 2021
- State Excise Act and State Excise Bonded Warehouse Rules
- State Excise Act and State Liquor Licence Rules

These acts prescribe minimal compliance requirements around the display for specific information, maintenance of various records related to food distribution/ receipt & disposal of liquor, payment of duty on wastage, etc.

REGULATORY REQUIREMENTS FOR ENTERPRISES AND CONSUMERS

3. Restaurants/ Hotels/ Clubs/ Retail Shops

These businesses are engaged in storing and selling alcoholic beverages to the end Customer. These businesses are mainly required to ensure that all the required licenses and permissions are obtained and renewed in a timely manner. The list of permissions specific to alcoholic beverages business (Ignoring other Licenses under common Laws) are as follows:

3.1 Restaurants / Hotels / Clubs:

Name of Legislation	Approvals / Registrations / Permissions
Bombay Prohibition Act, 1949 and Bombay Foreign Liquor Rules, 1953	Licence for sale at restaurant or hotel of imported and IMFL on which is Excise Duty has been paid.
Bombay Prohibition Act, 1949 and Bombay Foreign Liquor Rules, 1953	Transport Pass for transport of duty-paid Foreign Liquors
Bombay Prohibition Act, 1949 and Special Permit and Licences Rules, 1952	Licence for sale of mild liquor (beer) on the premises of hotel/ restaurant/canteen /club
Bombay Prohibition Act, 1949 and Special Permit and Licences Rules, 1952	Licence for sale of wine on the premises of hotel/ restaurant/ canteen/ club

Apart from the standard compliances under various laws, some of the important compliances for these retail businesses are as follows:

- One trained & certified food safety supervisor for every 25 food handlers or part thereof on all their premises
- Periodic onsite training of all food handlers on a quarterly basis
- Must sell country liquor by measure for consumption only on the licensed premises to a person holding a valid permit
- Must not allow drunkenness or gambling in the licensed shop
- Must not permit persons below 21 years of age or insane or intoxicated persons to enter the shop
- Must maintain all books and accounts and registers for the foreign liquor

3.2 Retail Business

Name of Legislation	Approvals / Registrations / Permissions
Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011	• Registration of Establishment • Central FSSAI License • State FSSAI License
Food Safety and Standards (Packaging and Labelling) Regulations, 2011	Approval for selling and labelling of Products
Prevention of Food Adulteration Act, 1954 and Prevention of Food Adulteration Rules, 1955	Licence to stock, distribute or exhibit for sale any article of food, including prepared food or ready to serve food or irradiated food
Bombay Prohibition Act, 1949 and Bombay Foreign Liquor Rules, 1953	Licence for retail sale of Wine granted only to the manufacturers of wine to be located on the premises of manufactory
Bombay Prohibition Act, 1949 and Maharashtra Country Liquor Rules, 1973	Licence authorising the storage & wholesale, sale of duty paid Country Liquor to retail shops
Bombay Prohibition Act, 1949 and Maharashtra Country Liquor Rules, 1973	Licence for retail sale of Country Liquor
Bombay Prohibition Act, 1949 and Bombay Foreign Liquor Rules, 1953	Vendor Licence for sale of foreign Liquor

REGULATORY REQUIREMENTS FOR ENTERPRISES AND CONSUMERS

4. Consumers

Consumption of alcohol by an Individual is governed by the following Rules:

4.1 Legal Drinking Age

In India, the Legal Drinking Age varies between 18 to 25 years. The same varies from State to State, although most States have adopted an age of 21 Years as the Legal Drinking Age.

4.2 Driving under the Influence of Alcohol

To prevent road accidents on account of driving under the influence of alcohol, provisions have been introduced in the Motor Vehicles Act to penalise individuals found driving under the influence.

The alcohol levels in the blood of an Individual define whether he/ she is drunk. The slabs are as follows:

Figure 4. Dissection of Punishment for Driving Under the Influence of Alcohol on the basis of blood-alcohol level

	Punishment	
Alcohol levels in the blood (mg/ 100 ml)	**Imprisonment (Years)**	**Fine (INR in 1000s)**
< 30	0	0
30-60	0.5	2
60-150	1	4
> 150	2	5

If the offence is repeated within three years, the penalty can go up to 3 years imprisonment and/or a fine ranging between Rs. 8K to Rs. 10K besides cancellation of driving license.

VARIATIONS IN STATE POLICIES AND THEIR IMPLEMENTATION

Several past research and surveys have highlighted that varying state excise policies and their release timings adversely affect the companies. Additionally, these variations encourage illicit/ unregulated alcohol markets in India, which directly impacts the state revenue and indirectly also impacts consumer health.

The parameters of state policies are discussed below:

Legal Drinking Age

This is one of the most important policy matters adopted to control consumption and consumer protection. Unfortunately, there are no clear guidelines at a National level defining the 'Legal drinking age'. The same has varied between 18 Years to 25 Years from State to State. For an example of select variations, refer to the table below:

Age	States
18 Years	Andaman Nicobar Islands, Himachal Pradesh, Mizoram, Puducherry, Rajasthan, Sikkim,
23 Years	Kerela
25 Years	Haryana, Chandigarh, Meghalaya, Maharashtra, and Punjab
21 Years	Remaining States

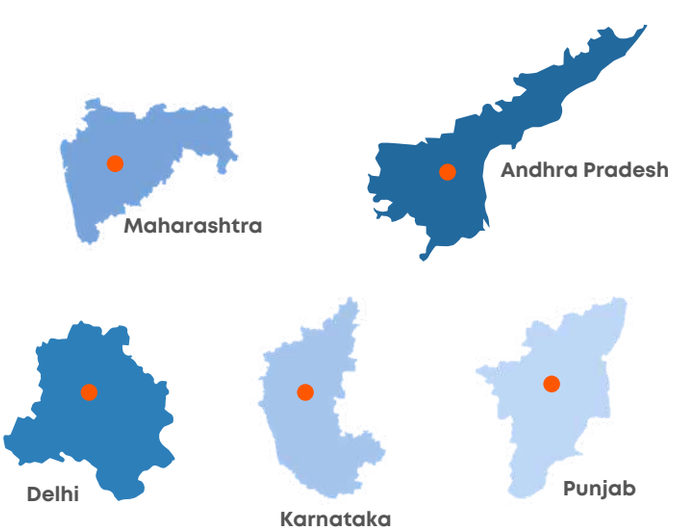
Additionally, States of Bihar, Gujarat, Lakshadweep, Manipur and Nagaland have banned the sale of alcohol in their respective States.

This is one of the major reasons for an unregulated market.

Taxes and Duties on Alcohol

Each State has a different approach to calculating the taxes or duties payable on alcohol. Summary for select States is as follows:

States	Basis for Duty Calculation
Maharashtra	% of Manufacturing Cost
Andhra Pradesh	% of Base Selling Price
Delhi	% of Wholesale Price
Karnataka	Fixed Rates
Punjab	Fixed Rates



Distribution System

The way in which the distribution of the alcoholic beverages is controlled or monitored also varies from State to State.

State / UT	Distribution system for alcoholic beverages
Maharashtra	Open System
Andhra Pradesh	Distribution by Government Corporation - Andhra Pradesh Beverages Corporation Limited (monopoly on wholesale distribution)
Delhi	Retail by Govt. Corporation and Licenses to Distilleries / Bottling (monopoly on wholesale distribution)
Karnataka	Distribution by Govt. Corporation - Karnataka State Beverages Corporation Limited (monopoly on retail sale)
Punjab	Licensing system

Personal Limit for Storage at Home

Excise Policies of each State define the quantity of alcohol which he/she can store at home. Details for select States are as follows:

State Name	Limit
Andhra Pradesh	Without a permit, 03 bottles of IMFL / foreign liquor and 06 bottles of beer
Goa	• 12 IMFL bottles • 24 bottles of beer • 18 bottles of country liquor • 6 bottles each of rectified and denatured spirit
Maharashtra	With Permit, 12 bottles of alcohol
Karnataka	• Shops: 06:00 a.m. to 9:30 p.m. • Bars: 10:00 a.m. to 11:30 p.m.
West Bengal	Without a permit, 06 bottles of IMFL and 18 bottles of beer

Licensing of Days and Hours of Sale

Every State has adopted different days as 'Dry Days' and defines different timings for opening and closing of Shops.

State / UT	Licensing of days & hours for sale
Maharashtra	• Shops: 10:00 a.m. to 10:30 p.m. • Hotel / Restaurant: 11:30 a.m. to 11:30 p.m. **Days on which shops shall be closed:** 26th January (Republic Day), 30th January (Martyr's Day), 1st May (Maharashtra Day), Ashadhi Ekadashi, 15th August (Independence Day), Anant Chaturdashi, 2nd October, Kartiki Ekadashi
Andhra Pradesh	• Shops: 10:00 a.m. to 10:00 p.m. **Days on which shops shall be closed:** 26th January (Republic Day), 15th August (Independence Day) and 2nd October (Gandhi Jayanthi)
Delhi	Shops: 10:00 a.m. to 10:00 p.m. Days on which shops shall be closed: All Dry Days
Karnataka	• Shops: 06:00 a.m. to 9:30 p.m. • Bars: 10:00 a.m. to 11:30 p.m.
Punjab	Shops: 9:00 a.m. to 11:00 p.m. **Days on which shops shall be closed** 26th January (Republic Day), 15th August (Independence Day) and 2nd October (Gandhi Jayanthi)

Apart from the above, below parameters also vary from state to state:

- Licensing of places for sale & consumption
- Minimum Sale Price
- Outlet Density
- Warnings/ Quality standardisation/ Security Hologram
- State Regulations for restrictions on advertisement

Looking at the above, it is evident that States create their rules and regulations on similar parameters but the overall approach for formalising these rules vary from state to state. Additionally, there are variations in timing for the release of these revisions, which adversely affect the Enterprises operating across multiple states. A significant percentage of unrecorded alcohol sales results in the unavailability of information which in turn becomes the most significant barrier for policymakers. This indirectly is one of the main reasons the Alco-Beverage Industry has not been able to attract many players, and the potential opportunity for higher production and exports remains unseized.

ADDITIONAL CHALLENGES FACED BY ENTERPRISES

Enterprises in Alcohol Beverage Industry have to deal with many compliances (as highlighted in an earlier section), and it becomes further complicated on account of the following reasons:

Absence of a central repository of Rules and Regulations

Currently, neither the Central nor State Authorities publish a list highlighting all License requirements and other compliance requirements under various laws which an Enterprise needs to adhere to. The lack of a comprehensive and accurate list of applicable compliances adds to the difficulty in keeping up with the compliance requirements.

Presently, Enterprises must either depend on their internal team's expertise or hire external third-party consultants to collate such a list.

Frequency changes to regulatory compliances

The regulatory landscape in India changes frequently. The regulators publish all these changes on their respective websites. On average, annually, 4,500+ updates are published on over 2,250+ websites. Considering the spread, it is not feasible for an Enterprise or its employees to monitor these regulatory websites relevant to their business and periodically identify the relevant updates.

Lack of effective process for overall Compliance Management

Majority of the Enterprises in India currently follow a manual process for keeping track of their compliance obligations (using Excel spreadsheets). Thus, there are numerous unintentional omissions, delays, expired license, and missed legal changes. Considering the volume of these obligations and the spread to multiple departments, Compliance Officers either have to depend on confirmations from the respective Department Heads for closures or have to hire an external consultant to audit these compliance obligations for their actual statutes. There is no simple way by which Compliance Officers or the Companies' Management/ Board can have a real-time and transparent view of compliance obligations. Regrettably, most Enterprises have not yet adopted digital platforms to build a process around compliance management.

RECOMMENDATIONS FOR SIMPLIFYING REGULATORY COMPLIANCE

1. ENTERPRISES

Enterprises can take multiple steps to strengthen compliance management at their organisations. Some of the low-hanging fruits are briefly highlighted below:

Creating a Culture of Compliances

The 'Tone at the Top' is the most important factor driving a specific culture within the organisation. If the top management has a 'Zero Tolerance' policy on compliance, a similar approach will be visible at all levels of the organisation.

Additionally, the top management's involvement in the review of compliance statuses also supports the compliance officers in implementing a robust compliance management program at an organisational level.

Adoption of Digital Solutions

Technology is the key to most of the problem statements, and compliance is not untouched. Several RegTech players have emerged who have invested heavily in technology solutions to support organisations in effectively tracking and managing their compliance programs. Additionally, a few RegTech players have also introduced automation layers to reduce manual dependency and intervention and reduce the overall cost of compliance for any organisation.

Enterprises shall consider adopting solutions that can either automate the process of overall management or can also automate the compliance document generation process as well.

2. POLICY MAKERS

It is apparent that the job of Policy Makers is not easy, considering the business complexities and the practical issues on the ground. Accordingly, the recommendations have been restricted to areas that have either been implemented in the past by select Regulators or are simple and easy to implement.

Central Repository of Rules and Regulations

The government shall consider entering into a public-private partnership (PPP) to create and maintain a website covering digital repositories of all Central, State and Municipal Acts, Rules and Regulations. This can help any individual or corporate get easy access to the required copies of the law. Additionally, the government can eventually make this website the single source for all regulatory updates as well.

Empanelled Vendors for API-based Filings

The Finance Ministry has taken steps to encourage more private investment in compliance automation (GST), empanelling them as approved vendors and offering them open APIs to facilitate auto-filing of statutory records via Vendor's Platform. All these steps have supported Enterprises in adapting to these digital platforms offered by empanelled vendors and simplified the overall compliance management at their end.

Conceptualization of National Alcohol Control Policy

The Government shall consider initiating consultation with States and Stakeholders from the Industry and design a National Alcohol Control Policy which provides the framework to States for Policy Making. These initiatives must aim at bringing uniformity in the principles of taxation and facilitate a transparent and uniform pricing framework that reduces the complexities for enterprises operating in multiple states.

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CONTACT US

TeamLease RegTech Pvt. Ltd.

(Formerly - Avantis RegTech Pvt. Ltd.)

Office No. 312 & 313, Kakade Bizz Icon,
Shivajinagar, Pune, Maharashtra 411005, India.

Bangalore, Mumbai, Kolkata, Hyderabad, Delhi, Chennai, Ahmedabad

9899245318

sales@tlregtech.com

www.teamleaseregtech.com