

CHAPTER III: STATE EXCISE

EXCISE AND TAXATION DEPARTMENT

3.1.1 Tax administration

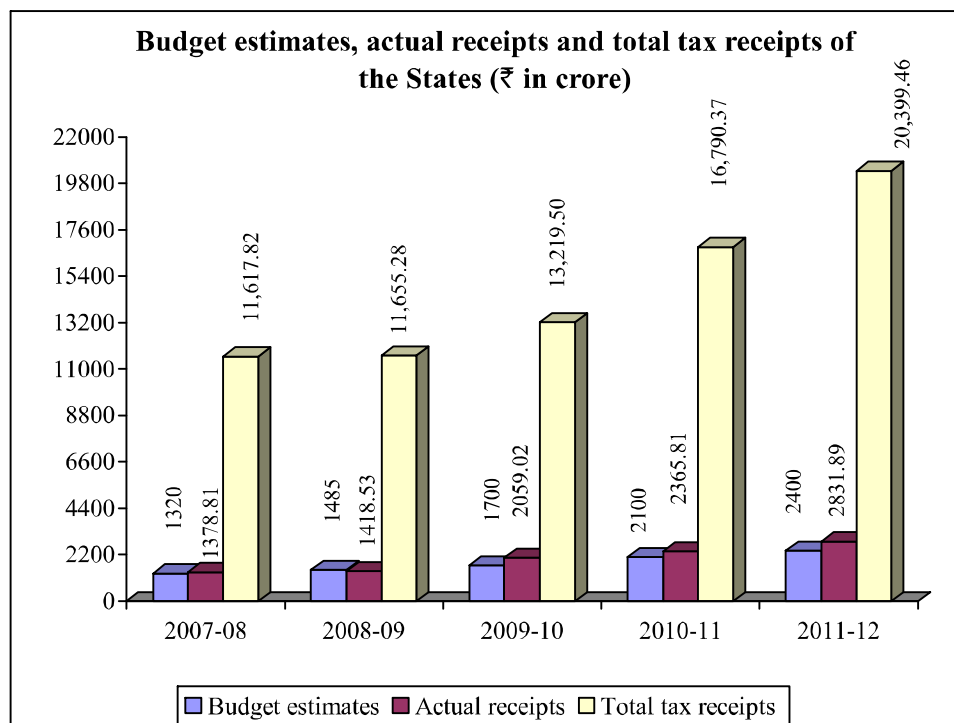
The excise revenue is mainly derived from the fixed, assessed and auction fee for the grant of license of various vends and excise duties levied on spirit and beer removed from distilleries and breweries and on that imported/exported to and from any other State. The Principal Secretary to Government Haryana, Excise and Taxation Department is the administrative head at Government level and Excise and Taxation Commissioner (ETC) is head of the Department. He is assisted by the Collector (Excise) at headquarter and Deputy Excise and Taxation Commissioners (Excise) {DETCs (Excise)}, Excise and Taxation Officers (ETOs), Assistant Excise and Taxation Officers (AETOs), Inspectors and other allied staff for proper administration of State Excise Acts/Rules in the field.

3.1.2 Trend of receipts

Actual receipts from State excise duty during the years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the following table and graph:

(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess(+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-a-vis total tax receipts
2007-08	1,320.00	1,378.81	(+) 58.81	(+) 04	11,617.82	12
2008-09	1,485.00	1,418.53	(-) 66.47	(-) 04	11,655.28	12
2009-10	1,700.00	2,059.02	(+) 359.02	(+) 21	13,219.50	16
2010-11	2,100.00	2,365.81	(+) 265.81	(+) 13	16,790.37	14
2011-12	2,400.00	2,831.89	(+) 431.89	(+) 18	20,399.46	11



The actual receipts of the Excise and Taxation Department relating to State excise duty to total tax receipts of the State during the period 2007-08 to 2011-12 ranged between 11 and 16 per cent.

3.1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2012 in respect of State Excise amounted to ₹ 119.19 crore of which ₹ 76.53 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2007-08 to 2011-12:

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears	State Excise receipts	Percentage of column 4 to column 5	Percentage of realisation of arrears (Col. 3 to col. 2)
1	2	3	4	5	6	7
2007-08	42.26	2.57	52.31	1,378.81	4	6
2008-09	52.31	8.36	46.61	1,418.53	3	16
2009-10	46.61	2.75	84.96	2,059.02	4	6
2010-11	84.96	1.12	107.81	2,365.81	5	1
2011-12	107.81	0.67	119.19	2,831.89	4	1

We observed that arrears of revenue had increased from ₹ 42.26 crore at the beginning of the year 2007-08 to ₹ 119.19 crore (182 per cent) at the end of the year 2011-12. The percentage of realisation of arrears to the arrears at the beginning of the year ranged between one and 16 per cent during the years 2007-08 to 2011-12. Though the actual receipts increased by 105 per cent (from ₹ 1,378.81 crore in 2007-08 to ₹ 2,831.89 crore in 2011-12).

The Government may advise the Excise and Taxation Department to take effective steps for collecting the arrears promptly to augment Government revenue.

3.1.4 Cost of collection

The gross collection of revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08 to 2011-12 along with the relevant all India average percentage of expenditure of collection to gross collection for the relevant years are mentioned below:

(₹ in crore)

Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage
2007-08	1,378.81	12.95	0.94	3.27
2008-09	1,418.53	18.46	1.30	3.66
2009-10	2,059.02	20.48	0.99	3.64
2010-11	2,365.81	21.57	0.91	3.05
2011-12	2,831.89	22.39	0.79	-

3.1.5 Impact of Audit on revenue

3.1.5.1 Position of Inspection Reports

The table below provides details of number of units audited, value of objections pointed out during the course of audit, cases accepted and the recovery made there against during the period from 2006-07 to 2010-11.

(₹ in crore)

Year	Units audited			Cases accepted		Recovery made during the year	
	Number	Number of cases	Amount	Number	Amount	Cases	Amount
2006-07	47	200	3.87	8	0.27	13	0.34
2007-08	41	826	41.83	231	4.68	17	0.28
2008-09	42	384	5.59	98	1.20	25	0.09
2009-10	36	377	3.95	251	3.76	42	0.22
2010-11	28	179	25.18	102	24.17	2	2.79
Total	194	1,966	80.42	690	34.08	99	3.72

We observed that the recovery in respect of accepted cases during the years 2006-07 to 2010-11 was only 11 per cent.

3.1.5.2 Position of Audit Reports

During the last five years ending 2011-12 instances of non/short recovery of excise duty, license fee, penalty, non-recovery of cost of supervisory staff posted at the distillery etc., with revenue implication of ₹ 35.58 crore in 12 paragraphs including one performance audit. The Department/Government

Report for the year 2011-12 (Revenue Sector)

had accepted all the audit observations involving ₹ 35.58 crore and recovered ₹ 2.90 crore till 31 March 2012. The details are shown in the following table:

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	(₹ in crore)				(₹ in crore)	
	Number	Amount	Number	Amount	Number	Amount
2007-08	2	1.23	2	1.23	1	0.03
2008-09	4	2.35	4	2.35	4	0.09
2009-10	2	5.65	2	5.65	2	0.10
2010-11	1 (Review)	21.60	1	21.60	1	2.63
2011-12	3	4.75	3	4.75	1	0.05
Total	12	35.58	12	35.58	9	2.90

We observed that the recovery in respect of the accepted cases was eight *per cent*. The slow progress of recovery even in respect of accepted cases is indicative of failure on the part of the heads of offices/Department to initiate action to recover the Government dues promptly.

We recommend that the Government may revamp the recovery mechanism to ensure that at least the amount involved in accepted cases are promptly recovered.

3.1.6 Results of Audit

Test check of the records of the offices of Deputy Excise and Taxation Commissioner (Excise) relating to State Excise conducted in audit during the year 2011-12 revealed non/short recovery of excise duty, license fee and penalty etc. amounting to ₹ 10.37 crore in 481 cases which broadly fall under the following categories:

(₹ in crore)			
Sr. No.	Category	Number of cases	Amount
Excise and Taxation Department (State Excise)			
1.	Non/short deposit of license fee and loss of interest	296	7.58
2.	Non-recovery of penalty on illicit liquor	129	1.22
3.	Miscellaneous irregularities	56	1.57
	Total	481	10.37

During the course of the year 2011-12, the Department accepted underassessment and other deficiencies of ₹ 8.90 crore involved in 438 cases, out of which ₹ 8.80 crore involved in 425 cases were pointed out during the year and rest in earlier years. The Department recovered ₹ 10.20 lakh in 13 cases pointed out in earlier years.

Further, at the instance of audit, the Principal Secretary, Excise and Taxation Department recovered ₹ 25.50 lakh.

A few illustrative cases involving ₹ 4.75 crore are mentioned in the succeeding paragraphs.

3.2 Non-observance of the provisions of the Acts/Rules

The Punjab Excise Act/Haryana Liquor License Rules/State Excise Policy provides for levy of excise duty/license fee/interest/penalty at the prescribed rate. We noticed that the Deputy Excise and Taxation Commissioner (Excise) of respective district did not observe provisions of the rules in the cases mentioned in the paragraphs 3.2.1 to 3.2.3. This resulted in non-realisation/recovery of license fee/interest/penalty of ₹ 4.75 crore.

3.2.1 Non-realisation of differential license fee on re-auction

Under the Haryana Liquor License Rules, 1970 (HLL Rules), read with the State excise policy for the years 2009-10 and 2010-11, every successful allottee of retail licensed liquor outlet, shall be required to deposit a security amount equal to 20 *per cent* of the annual license fee of the licensed outlet, out of which 5 *per cent* of the license fee has to be deposited on the day of draw of lot, 5 *per cent* within 7 days of the allotment/draw of lot or before 31 March of the respective year, whichever is earlier and remaining 10 *per cent* by the 7th April of the respective year. The balance 80 *per cent* shall be payable in nine equated monthly instalments starting from April to December of the respective year. In case, the allottee fails to make payment of security deposit equal to 20 *per cent* of annual license fee and defaults in payment of nine equated instalments of license fee along with interest, the licensed outlet shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the DETC (Excise) of the respective district. In such events, the DETC (Excise) may re-allot it at the risk and cost of the original allottee by seeking prior permission of the Financial Commissioner.

During test check of M-2 registers for watch of payment of license fee in the offices of DETC (Excise), Bhiwani, Kaithal and Panipat between December 2010 and February 2012, we noticed that 17 retail outlets were auctioned for ₹ 6.92 crore for the years 2009-10 and 2010-11. Of the total license fee of ₹ 6.92 crore, the allottees deposited security and monthly license fee amounting to ₹ 2.95 crore and failed to deposit the balance amount of ₹ 3.97 crore. The Department cancelled their retail liquor outlets and forfeited the entire amount of security. These retail outlets were re-auctioned/re-allotted between September 2009 and February 2011 for the remaining period for ₹ 1.30 crore at the risk and cost of original licensees. The Department, did not initiate any action to recover the differential amount of license fee of ₹ 2.67 crore (₹ 3.97 crore - ₹ 1.30 crore) from the original allottees. This resulted in non-realisation of Government revenue of ₹ 2.67 crore.

After we pointed out these cases between December 2010 and February 2012, DETCs (Excise), Kaithal and Panipat stated that recovery certificates would be issued and DETC (Excise), Bhiwani stated that efforts would be made to recover the outstanding amount. We have not received further progress report on recovery (October 2012).

The matter was reported to the Government between January 2011 and July 2012; the Government accepted the audit observation during the exit conference held in October 2012.

3.2.2 Non/short recovery of interest

Under the Haryana Liquor License Rules, 1970 (HLL Rules), read with the State excise policy for the year 2010-11 provide for payment of monthly instalments of license fee by the 20th of each month by the licensee/allottee holding license for retail outlets for vending Country Liquor and Indian made Foreign Liquor. Failure to do so renders him liable to pay interest at the rate of one and half *per cent* per month for the period from the first day of the month to the date of payment of the instalment or any part thereof. If the licensee fails to deposit the monthly instalment in full along with interest by the end of the month, the licensed outlet shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the District Excise and Taxation Commissioner (Excise) {DETC (Excise)} of the respective district.

During test check of M-2 registers for watch of payment of license fee in four¹ offices of DETC (Excise) in October and November 2011 for the year 2010-11, we noticed that 97 licencees had paid the monthly instalments of license fee amounting to ₹ 34.28 crore for the period between April 2010 and March 2011 after the prescribed due dates. The delay ranged between 21 to 151 days. The DETC (Excise), however, did not initiate any action to cease/seal the vends for non-deposit of monthly instalments by the end of the month and to levy interest for delayed payments of license fee. This resulted in non-levy of interest of ₹ 1.06 crore.

After we pointed out these in October and November 2011, DETC (Excise) Gurgaon stated in January 2012 that efforts would be made to recover the outstanding amount of ₹ 34.64 lakh. DETC (Excise) Kurukshetra stated in September 2012 that an amount of ₹ 82,438 had been recovered in two cases and efforts would be made to recover the outstanding amount of ₹ 1.15 lakh. DETC (Excise) Rewari stated in October 2012 that an amount of ₹ 4.09 lakh had been recovered in three cases. We had not received further progress of recovery of interest in case of other DETCs and reply from DETC (Excise), Faridabad (October 2012).

The matter was reported to the Government between December 2011 and July 2012; the Government accepted the audit observation during the exit conference held in October 2012.

3.2.3 Non/short recovery of license fee and interest

Under the Haryana Liquor License Rules, 1970 (HLL Rules) read with State Excise Policy for year the 2010-11, provide for payment of monthly instalment of license fee by the 20th of each month by the licensee/allottee holding license for retail outlets for vending country liquor (CL) and Indian made foreign liquor (IMFL). Failure to do so renders him liable to pay interest at the rate of one and a half *per cent* per month for the period from the first day of the month to the date of payment of the instalment or any part thereof. If the licensee fails to deposit the monthly instalment in full along with interest by the end of month, the licensed outlet shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the Deputy

¹ Faridabad, Gurgaon, Kurukshetra and Rewari.

Excise and Taxation Commissioner (Excise) {DETC (Excise)} of the respective district.

During test check of the records of payment of license fee of the office of Deputy Excise and Taxation Commissioner (Excise), Gurgaon in October 2011 for the year 2010-11, we noticed that retail liquor outlets for sale of CL/IMFL were allotted to 10 licensees for ₹ 7.34 crore. The licensees failed to pay the monthly instalment of license fee for the year 2010-11 in full by the prescribed dates. Of the total license fee of ₹ 7.34 crore, the licensees had paid only ₹ 6.41 crore. Thus, the allottees did not deposit the balance amount of ₹ 93 lakh. The DETC (Excise), however, did not initiate any action to seal the vends for non-deposit of monthly instalment in full by the end of the month and levy interest for belated payment of license fee. This resulted in non/short recovery of license fee of ₹ 1.02 crore (including interest of ₹ 9.45 lakh).

After we pointed out these cases in October 2011, DETC (Excise), Gurgaon stated that proceedings for recovery had been initiated. We had not received further progress report on recovery (October 2012).

The matter was reported to the Government in December 2011; the Government accepted the audit observation during the exit conference held in October 2012.