

## CHAPTER III: STATE EXCISE

### 3.1.1 Tax administration

The Principal Secretary to Government of 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)}, Assistant Excise and Taxation Officers (AETOs), Inspectors and other allied staff for proper administration of State Excise Acts/Rules in the field.

In Haryana, Excise duty on alcoholic liquor for human consumption and on medicinal and toilet preparations containing alcohol or opium, Indian hemp and narcotics is levied and collected under the Punjab Excise Act, 1914 and Rules made thereunder, as applicable to the State of Haryana and the Haryana Liquor License Rules, 1970 (HLL Rules). 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 States. It also includes revenue from manufacture, possession and sale of Country Liquor (CL), Indian Made Foreign Liquor (IMFL), etc.

### 3.1.2 Results of Audit

In 2013-14, test check of the records of 42 units relating to excise duty, license fee receipts etc. showed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 34.76 crore in 348 cases, which fall under the following categories in **Table 3.1**.

**Table 3.1**

| (₹ in crore) |   |                 |              |
|--------------|---|-----------------|--------------|
| Sr. No.      | Categories  | Number of cases | Amount       |
| 1.           | Non-realisation of differential amount of license fee on re-allotment of vends  | 1               | 23.70        |
| 2.           | Non/short deposit of license fee and loss of interest   | 200             | 6.53         |
| 3.           | <ul style="list-style-type: none"><li>• Non imposition of penalty</li><li>• Non-recovery of penalty on illicit liquor</li></ul> | 57<br>38        | 0.48<br>1.17 |
| 4.           | Miscellaneous irregularities  | 52              | 2.88         |
|              | <b>Total</b>  | <b>348</b>      | <b>34.76</b> |

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 1.30 crore in 69 cases, out of which ₹ 77.26 lakh involved in 24 cases were pointed out during the year and the rest in earlier years. The department recovered ₹ 52.32 lakh in 45 cases pointed out in earlier years.

A few illustrative cases involving ₹ 24.87 crore are discussed in following paragraphs:

## Audit findings

### 3.2 Non-realisation of differential amount of license fee on re-allotment of vends

The HLL Rules read with the State Excise Policy for the years 2009-10 to 2012-13 provide for payment of monthly payment of licence fee by the 15<sup>th</sup>/20<sup>th</sup> of each month by the licensee/allottee and the balance 80 *per cent* in nine equated monthly instalments and for the year 2013-14, the full amount of license fee of the vends/group of vends shall be deposited in twelve equated monthly instalments starting from April 2013 to March 2014 failing which he is liable to pay interest and 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 district concerned. In such an event, the DETC (Excise) may re-allot it at the risk and cost of the original allottee by seeking prior permission of the Financial Commissioner.

**3.2.1** During test check of M-2 registers<sup>1</sup> for watch of payment of license fee in seven offices<sup>2</sup> of DETC (Excise), we noticed that 74 retail outlet licensees did not deposit the amount of security/license fee of ₹ 46.08 crore out of ₹ 74.86 crore. The department cancelled their retail liquor outlets and forfeited the entire amount of security/license fee. These retail outlets were re-auctioned/re-allotted between November 2009 and January 2014 for the remaining period for ₹ 28.41 crore at the risk and cost of original licensees, of which ₹ 22.38 crore were deposited by them. The department did not initiate any action to recover the differential amount of license fee of ₹ 23.70 crore (₹ 46.08 crore – ₹ 22.38 crore) from the original allottees resulting in non-realisation of Government revenue of ₹ 23.70 crore.

On this being pointed out between April and June 2014, department stated that notices to the concerned licensees would be issued under intimation to Audit. DETCs (Excise) Faridabad and Rohtak stated in October 2014 that notices had been issued/recovery proceedings had been initiated against the sureties to recover the outstanding amount of ₹ 5.81 crore.

The matter was reported to the Government; their reply has not been received (November 2014).

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<sup>1</sup> M-2 register is defined as a register of licenses granted on fee determined by auction.  
<sup>2</sup> Bhiwani, Faridabad, Gurgaon, Hisar, Narnaul, Panipat and Rohtak.

### Non/short recovery of licence fee and interest

**3.2.2** During test check of M-2 registers of payment of license fee in the offices of DETC (Excise) Kurukshetra and Panipat for the years 2010-11 to 2012-13, we noticed that 12 licensees had failed to pay the monthly instalments of license fee for the periods between April 2010 and March 2013 in full by the prescribed dates. The licensees had paid only ₹ 7.13 crore out of ₹ 7.26 crore payable. The DETC (Excise) had not initiated any action to seal the vends. This resulted in non/short recovery of license fee of ₹ 18.13 lakh including interest of ₹ 5.35 lakh.

On this being pointed out between November 2011 and August 2013, DETC (Excise) Panipat stated in January 2014 that notice for recovery had been issued to the defaulters. DETC (Excise) Kurukshetra stated in March 2012 that efforts would be made to recover the outstanding amount. We had not received further progress report on recovery and action taken to recover the outstanding amount (November 2014).

**3.2.3** During test check of M-2 registers for watch of payment of license fee in five offices<sup>3</sup> of DETC (Excise) for the years 2010-11 to 2012-13, we noticed that 45 licensees had paid the monthly instalments of license fee amounting to ₹ 19.58 crore for the period between April 2011 and March 2013 after the prescribed due dates. The delay ranged between 21 days to 170 days. The DETCs (Excise), however, did not initiate any action to 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 ₹ 30.24 lakh.

On this being pointed out between October 2011 and August 2013, DETCs (Excise) Panipat and Rohtak stated between December 2013 and April 2014 that an amount of ₹ 12.76 lakh had been recovered in 16 cases and efforts would be made to recover the outstanding amount of ₹ 6.53 lakh. The remaining DETCs (Excise) Narnaul, Bhiwani and Karnal stated between January 2012 and February 2014 that efforts would be made/notices had been issued to recover the outstanding amount of ₹ 10.95 lakh. We had not received further progress report of recovery of interest (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

### 3.3 Non levy/recovery of penalty for illegal possession and trade of liquor

Under Section 61 (1) of the Punjab Excise Act, 1914, as applicable to the State of Haryana, penalty not less than ₹ 50 and not more than ₹ 500 per bottle of 750 milliliters is leviable on the offender for possession of illicit liquor<sup>4</sup>. Further, Haryana Imposition and Recovery of Penalty Rules, 2003, provide that if penalty is not paid within the stipulated period, the Collector or

<sup>3</sup> Bhiwani, Karnal, Narnaul, Panipat and Rohtak.

<sup>4</sup> Illicit liquor means liquor prepared clandestinely/unlawfully, without any quality control checks, and not suitable for human consumption due to higher alcoholic concentration than permissible.

DETC (Excise) shall pass orders for confiscation of means of transport seized along with liquor and the means of transport shall be put to auction within 30 days from the date of order of confiscation.

During test check of the records of the offices of DETC (Excise) Ambala, Fatehabad and Panchkula for the years 2010-11 to 2012-13, we noticed that the department had detained 87,810 bottles of illicit Indian Made Foreign Liquor (IMFL)/ country liquor (CL) in 27 cases and confiscated twenty two vehicles between May 2009 and December 2012. The department, after giving reasonable opportunity, decided 22 cases and imposed penalty of ₹ 58.76 lakh during 2010-11 and 2011-12 and in five cases penalty of ₹ 10.28 lakh could not be levied. Neither the defaulters paid the penalty nor the department initiated any action to recover the amount by auctioning the confiscated vehicles even after a lapse of 15 to 60 months<sup>5</sup>. Non-observance of Rules 12 and 13 of the Haryana Imposition and Recovery Rules resulted in non-recovery of penalty of ₹ 69.04 lakh.

On this being pointed out between December 2011 and October 2013, DETC (Excise), Ambala stated in April 2014 that an amount of ₹ 24.19 lakh (₹ 17.07 lakh recovered earlier) had been recovered and efforts would be made to recover the outstanding amount of ₹ 29.92 lakh. DETCs (Excise), Fatehabad and Panchkula stated in March and April 2014 that efforts would be made to recover the outstanding amount of ₹ 14.93 lakh. We had not received further progress report on recovery (November 2014).

The matter was reported to the Government; their reply has not been received (November 2014).

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<sup>5</sup> Delay calculated from the date of imposition of penalty to March 2014.