

Chapter-III
State Excise

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3.1 Tax administration

The Financial Commissioner Taxation and Principal Secretary to the Government of Punjab is overall in-charge of the Excise and Taxation Department. The administration of the Punjab Excise Act, 1914 is carried out by Additional Excise and Taxation Commissioner at Patiala and six Deputy Excise and Taxation Commissioners (DETCs) at Amritsar, Faridkot, Ferozepur, Jalandhar, Ludhiana and Patiala. Twenty four Assistant Excise and Taxation Commissioners (AETCs), assisted by Excise and Taxation Officers (ETOs) and other allied staff monitor the work at the district level.

3.2 Results of audit

Test check of the records of 47 units relating to State Excise receipts during 2013-14 showed irregularities involving ₹ 16.47 crore in 49 cases, which broadly fall under the following categories:

Table 3.1

Sl. No.	Categories	(₹ in crore)	
		No. of cases	Amount
1.	Revenue loss due to sub normal yield of spirit from molasses	5	14.29
2.	Short/Non levy of renewal fee	3	0.21
3.	Other irregularities	41	1.97
	Total	49	16.47

In 2013-14, the Department accepted the observations in 14 cases and recovered an amount of ₹ 4.53 lakh, out of which ₹ 0.05 lakh was for the year 2013-14 and rest in the earlier years.

A few illustrative cases involving ₹ 2.03 crore are discussed in the succeeding paragraphs.

3.3 Loss of Revenue due to sub normal yield of spirit from molasses

The Punjab Distillery Rules, 1932 provide that one quintal of molasses should yield 36.61 proof litres of spirit. Further, as per Punjab Excise Fiscal Orders, 1932, the excise duty in respect of spirit removed from any of the licensed distillery will be leviable between ₹ 4.00 to ₹ 25.00 per proof litre (PL).

Audit noticed (December 2011, February 2012, March 2012, June 2013 and January 2014) from the records of five distilleries¹ that 1,046.51 lakh PL of spirit was produced during 2010-11 to 2012-13 from 29.90 lakh quintals of

¹ M/s Patiala Distillers & Mfrs Ltd. Patiala; M/s Chandigarh Distillers & Bottlers Ltd. Banur, Mohali; M/s A.B.Sugar Ltd. Randhawa, Dasuya; M/s Piccadily Distillery, Patran, Patiala and M/s Rana Sugar Ltd. Louhka, Tarn Taran.

molasses as against the envisaged yield of 1,094.72 lakh PL of spirit. Had the prescribed norms of yield of spirit from molasses been achieved, the Government could have earned additional excise duty of ₹ 1.93 crore.

Similar para was printed in the Stand Alone Report titled "Working of State Excise Department for the year ended 31 March 2011", which was settled in PAC in light of Punjab Government notification (18 March 2011). After careful perusal of this notification, it was noticed that revised norms for the yield of spirit from grains only were notified and provided *inter alia* that if the licensee fails to maintain the revised norms, he will be liable to recovery of differential loss in the form of excise revenue. However, revised norms for the yield of spirit from molasses are yet to be notified by the Government.

The matter was brought to the notice of Government/Department (March and April 2014). The Excise & Taxation Commissioner, Punjab replied in the meeting (May 2014) in respect of M/s Chandigarh Distillers and Bottlers Ltd., Banur that after discussion with the stakeholders, neighboring states and subject experts final decision will be taken. Final action was awaited (November 2014).

3.4 Short deposit of renewal fee of Distillery Licence (D-2)

The Punjab Distillery Rules, 1932 read with Excise Policy for the year 2011-12 provides that an application for the renewal of D-2 license² shall be made by the licensee to the Excise Commissioner so as to reach him at least 90 days before the expiry of old license. The renewal fee is also required to be deposited likewise. The renewal fee for D-2 license was enhanced to ₹ 20 lakh in excise policy for the year 2011-12 from ₹ 10 lakh prescribed for the year 2010-11.

Audit noticed (June 2013 and February 2014) from the records relating to the renewal of the licenses in the offices of Excise & Taxation Officers, Patiala Distillers and Manufacturers Limited Patiala and Malbros International Private Limited Ferozepur for the years 2010-11 and 2011-12, that D-2 Licenses of these distilleries were renewed for the period from 15 October 2010 to 14 October 2011 and from 12 September 2010 to 11 September 2011 respectively. Since the licenses of these distilleries were renewed for the broken period of 2010-11 and 2011-12, the licensees were required to deposit the licence fee of ₹ 29.89 lakh i.e. proportionately with reference to amount of license fees fixed for financial year 2010-11 and 2011-12 against which licence fee of ₹ 20 lakh only was deposited by them. This resulted in short deposit of renewal fee amounting to ₹ 9.89 lakh.

The matter was brought to the notice of Government/Department (March 2014); their replies were awaited (November 2014).

² D-2 license is a license granted under Section 21 of Punjab Excise Act I of 1914 to establish a distillery in which spirit may be manufactured.