

Chapter - III
State Excise

Chapter-III

State Excise

3.1 Tax administration

The Financial Commissioner Taxation and the 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 six 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

There were 58 auditable units in the Department consisting of 26 district offices of AETCs and 32 distilleries/breweries and other units. Out of these, audit selected 42¹ units for test check during the year 2018-19. There were 210 liquor vend licensees under the district offices for which records relating to receipt of license fee were maintained. Test check of records showed non/short levy of license fee and other irregularities of ₹ 205.14 crore in 185 cases (3.99 per cent of ₹ 5,135.68 crore of receipt under State Excise for the year 2017-18 audited in 2018-19) as detailed in **Table 3.1** below:

Table 3.1: Results of audit

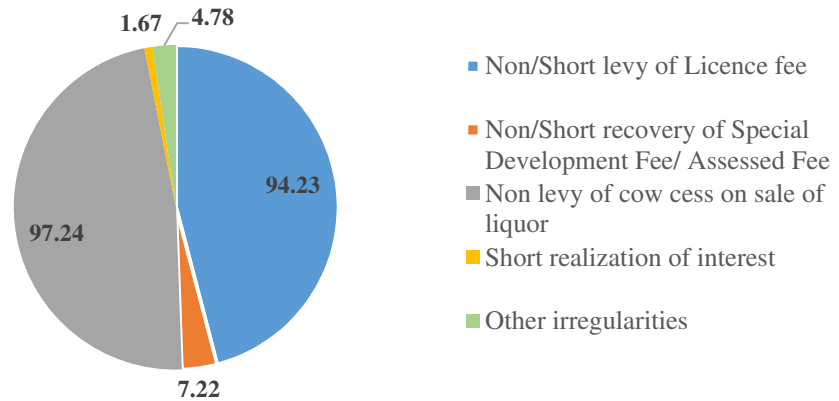
(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non/Short levy of Licence fee	94	94.23
2.	Non/Short recovery of Special Development Fee/ Assessed	19	7.22
3.	Non levy of cow cess on sale of liquor	24	97.24
4.	Short realization of interest	9	1.67
5.	Other irregularities	39	4.78
Total		185	205.14

Category-wise audit findings noticed under State Excise are depicted in **Chart 3.1**.

¹ 26 district offices of AETCs and 16 other units.

Chart-3.1



In 2018-19, the Department accepted and recovered ₹ 2.21 crore in 34 cases which were pointed out in earlier years.

Significant cases (three) having a financial implication of ₹ 98.22 crore are discussed in the following Paragraphs 3.3 to 3.5.

3.3 Short realisation of Special Development Fee

AETC, Gurdaspur short realised Special Development Fee (SDF) of ₹ 0.20 crore on Punjab Medium Liquor and Beer from three retail vends.

The Punjab Liquor License (Amendment) Rules, 2017 (PLLR) provide that retail vends² shall pay fixed license fee and all other levies³ at the prescribed rates⁴ by 15 March, whether or not the vends lifted their entire annual quota of liquor allocated to them.

Audit scrutiny (July 2018) of the records of AETC, Gurdaspur showed that annual quota of Punjab Medium Liquor (PML) and Beer in respect of three vendees for the year 2017-18 was allocated as 12,86,063 proof litre and 5,42,315 bulk litre respectively on which SDF of ₹ 5.68 crore was recoverable but the Department had realized only ₹ 5.21 crore. Action to recover remaining SDF of ₹ 0.47 crore was not initiated by the AETC, resulting in short realization of SDF of ₹ 0.47 crore.

The matter was reported to the Department/ Government (February 2019 and April 2020). The Department accepted (June 2019) the audit observation and recovered SDF of ₹ 0.27 crore. The balance recovery of ₹ 0.20 crore was yet to be made (December 2020).

The Government may direct the Department to recover the balance SDF of ₹ 0.20 crore.

² Wholesale vends consisted of License L-1 for IMFL, IFL and Beer including Bottled in Origin (BIO) brands and License L-13 for PML. Retail vends consisted of License L-2 for IMFL, IFL and Beer and L-14A for PML.

³ Special Development Fee, Assessed Fee and Extra License Fee.

⁴ SDF ₹ 40 per PL for PML and ₹ 10 per BL for Beer.

3.4 Short realisation of Assessed Fee

AETC Gurdaspur failed to recover assessed fee of ₹ 0.78 crore from six retail vends on un-lifted quota of 5,05,861 bulk litre of beer.

The Punjab Liquor License (Amendment) Rules, 2017 (PLLR) levied excise duty on beer in the form of fixed license fee, special development fee and assessed fee. Fixed license fee and special development fee were levied on retail vends⁵ whereas assessed fee was levied on wholesale vends. Every retail vend was allotted fixed quota of beer on which the vend was required to pay fixed license fee and special development fee whether or not the vend lifted the entire quota from wholesale vend. Further, Rule 25(3) of the PLLR provided that in case of non-lifting of quota of beer from wholesale vend, the retail vend was liable to pay assessed fee on un-lifted quota of beer at the lowest of the rates⁶ prescribed therein.

Audit scrutiny of records (July 2018) of the AETC, Gurdaspur revealed that annual quota of Beer of 11,13,123 bulk litre was allocated to six retail vends for the year 2017-18, but these vends lifted only 6,07,262 BL of beer. Thus, 5,05,861 bulk litre of beer remained un-lifted on which the Department was required to recover assessed fee of ₹ 1.77 crore⁷ from the retail vends. However, recovery was not made which resulted in short realization of assessed fee of ₹ 1.77 crore.

AETC Gurdaspur after reconciling the records, issued notices of recovery of ₹ 1.85 crore to the defaulting retail vends (between August and December 2018). AETC Gurdaspur intimated (January 2020) that recovery of ₹ 1.07 crore had been made. The balance recovery of ₹ 0.78 crore was yet to be made (November 2020).

The matter was reported to the Department/ Government (February 2019 and April 2020); their replies were awaited (December 2020).

The Government may direct the department to recover the balance short realized Assessed Fee of ₹ 0.78 crore.

⁵ Wholesale vends consisted of License L-1 for IMFL, IFL and Beer including Bottled in Origin (BIO) brands and License L-13 for PML. Retail vends consisted of License L-2 for IMFL, IFL and Beer and L-14A for PML.

⁶ Rate of assessed fee per bulk litre of beer during 2017-18:

Type of Beer	Light	Strong	Canned	
			Light	Strong
Indian Made beer	35	42	35	42
Imported Beer	35	42	-	-

⁷ 5,05,861 x ₹ 35 (lowest rate of assessed fee on beer) = ₹ 1,77,05,135

3.5 Non-collection of cow cess on sale of liquor

Twenty four AETCs did not take cognizance of a notification issued by the Department of Local Government designating them as collection authority for Cow Cess on sale of liquor in municipal areas falling under their jurisdiction, due to non-inclusion of the same in the Excise policy. Consequently, ₹ 97.24 crore due on this account was not collected.

The Department of Local Government, Punjab levied (between June 2015 and January 2018), cow cess on sale of Indian Made Foreign Liquor, Country Liquor and Beer in municipal areas falling under the jurisdiction of 24⁸ AETCs. The AETCs were declared as the collecting authority for cow cess for their respective jurisdictions.

Scrutiny of records of AETC Moga and information collected from 23 AETCs showed that though the notifications for levy of cow cess were issued between June 2015 (2015-16) and January 2018 (2017-18), the Department did not collect cow cess of ₹ 97.24 crore on Indian Made Foreign Liquor, Punjab Medium Liquor (country liquor) and Beer from the date of issue of notifications till 31 March 2018. The Department included the provision for collection of cow cess on liquor (PML, IMFL and Beer) in the excise policy for the year 2018-19 and started collecting cow cess from 01 April 2018 onwards. The delay in inclusion of the provision for collection of cow cess in excise policy resulted in non-collection of cow cess of ₹ 97.24 crore on liquor.

AETC Moga and Mansa replied (May 2018 and July 2019) that there was no provision of cow cess in the Excise Policy. Hence, the cow cess was not collected because all the levies on liquor were to be collected in accordance with the Excise Policy only. The reply was not tenable as the cow cess was levied through a notification by the Government. Once the notification for levy of cow cess was issued declaring AETC as the collecting authority, it was incumbent upon the collecting authorities to collect the cow cess till the notification was revoked. Further, the Department could have made the provision for collection of cow cess in the excise policies during 2015-16 and 2016-17 in harmony with notifications issued for levy of cow cess.

The matter was brought to the notice of the Department/ Government (December 2018, February 2019, March 2020 and April 2020); their replies were awaited (December 2020).

The Government may direct the Department to explore the possibility of recovery of cow cess of ₹ 97.24 crore.

⁸ Amritsar-I, Amritsar-II, Barnala, Bathinda, Faridkot, Fatehgarh Sahib, Fazilka, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar-I, Jalandhar-II, Kapurthala, Ludhiana-I, Ludhiana-II, Ludhiana-III, Mansa, Moga, Pathankot, Patiala, Sangrur, SAS Nagar, SBS Nagar and Tarn Taran.