

## CHAPTER III: STATE EXCISE

### 3.1 Tax administration

The Additional Chief Secretary to the Government of Haryana, Excise and Taxation Department, is the administrative head at Government level and the Excise and Taxation Commissioner (ETC) is the head of the Department. The ETC is assisted by the Collector (Excise) at headquarters 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.

Excise revenue is mainly derived from fee for grant of licenses of various vends, excise duties levied on spirit/beer produced in distilleries/breweries and on their import/export to and from any other States.

The allotment of Zone of vends is made by inviting e-tenders through a Departmental portal. The detailed procedure for e-tendering is finalised by the ETC which is displayed by uploading the same on the website of the Department.

### 3.2 Results of audit

Test check of the records of 28 out of 86 units of the State Excise Department during 2019-20 highlighted non/short realisation of excise duty/license fee/ interest/penalty and other irregularities involving ₹ 15.77 crore (0.26 per cent of receipt of ₹ 6,041.87 crore for 2018-19) in 374 cases which fall under the categories depicted in **Table 3.1**.

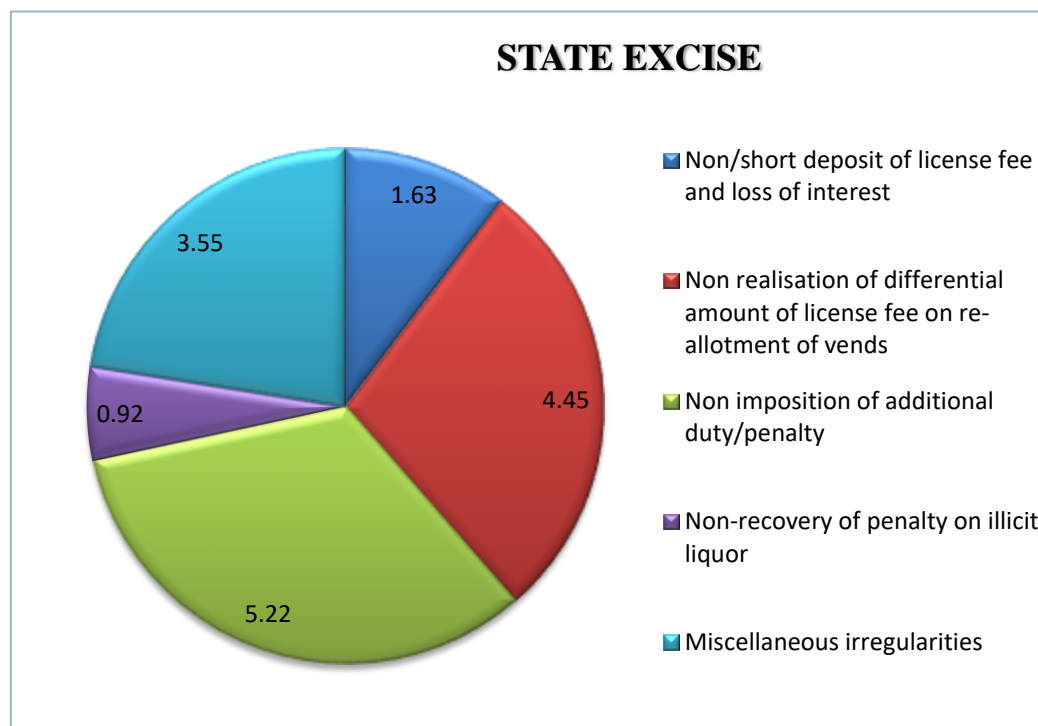
**Table 3.1 – Results of audit**

Sr. No.	Categories	Number of cases	Amount (₹ in crore)
1.	Non/short deposit of license fee and loss of interest	42	1.63
2.	Non-realisation of differential amount of license fee on re-allotment of vends	18	4.45
3.	Non imposition of additional duty/penalty	85	5.22
4.	Non-recovery of penalty on illicit liquor	147	0.92
5.	Miscellaneous irregularities	82	3.55
	<b>Total</b>	<b>374</b>	<b>15.77</b>

Source: Data compiled by office

**Chart 3.1**  
**Results of audit**

(₹ in crore)



Source: Data compiled by office

The Department accepted under-assessment and other deficiencies amounting to ₹ 14.70 crore involved in 363 cases pointed out during the year. The Department recovered ₹ 16.44 lakh involved in eight cases relating to previous years.

Some significant cases involving ₹ 1.97 crore are discussed in the following paragraphs.

### 3.3 Non/short recovery of interest

**The Deputy Excise and Taxation Commissioners (Excise) neither initiated any action to seal the vends for non-deposit of monthly instalment in time nor levied interest of ₹ 1.61 crore for delayed payment of the license fee.**

Para 6.4 of the State Excise Policy for the year 2017-18 and 2018-19 stipulates that every licensee holding a licence for retail outlets of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL), shall make payment of monthly instalment of licence fee by 20<sup>th</sup> of each month. Failure to do so renders the licensee liable to pay interest at the rate of 18 per cent per annum for the period from the first of the month in which the licence fee was due, to the date of payment of the instalment. Further, as per para 6.5 of the State Excise

policy, if the licensee fails to deposit the monthly instalment in full along with interest by the end of the month, the zone of the vends shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the Deputy Excise and Taxation Commissioner (Excise) {DETC (Excise)} of the respective district and his license may be cancelled.

Scrutiny of the records in August and September 2018 of M-2 registers for watch of payment of license fee of DETCs (Excise), Jagadhri and Kaithal for 2017-18 revealed that in 11 out of 33 Zones paid the monthly instalments of license fee amounting to ₹ 56.42 crore after the prescribed due date with delay ranging between 21 to 116 days. The DETCs (Excise) did not initiate any action to seal the zone of vends and to levy interest for delayed payment of the license fee. This resulted in non-levy of interest of ₹ 1.61 crore.

The matter was reported to the Government in November 2020. During exit conference (March 2021), the Department accepted the audit observations and stated that an amount of ₹ 8.68 lakh had been recovered by DETC (X) Jagadhri and recovery proceedings/efforts are being made to recover the balance amount of ₹ 1.52 crore.

**The Department may consider for in-built mechanism of automated calculation of interest in late payment cases.**

### **3.4 Non-recovery/levy of penalty for illegal possession**

**The Department did not initiate appropriate action to recover the penalty of ₹ 35.51 lakh by auctioning of confiscated vehicles or by recovery as arrears of land revenue.**

Section 61 (1) (aaa) (c) (i) of the Punjab Excise Act, 1914 as applicable to the State of Haryana, provides that penalty of not less than ₹ 50 and not more than ₹ 500 per bottle of 750 millilitres or part thereof is leviable on an offender for possession of illicit liquor<sup>1</sup>. Further, Rules 12 and 13 of the Haryana Imposition and Recovery of Penalty Rules, 2003, provides that in case penalty is not paid within stipulated period, the Collector or Deputy Excise and Taxation Commissioner (Excise) {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 order of confiscation.

Scrutiny of records of five offices<sup>2</sup> of DETC (Excise) for 2017-18 and 2018-19 revealed that the Department had detained 58,699 bottles of illicit liquor between April 2017 and March 2019 in 48 cases during checking on

<sup>1</sup> Illicit Liquor means liquor prepared unlawfully without any quality control checks, which is not suitable for human consumption due to higher alcoholic concentration than the permissible limit.

<sup>2</sup> Hisar, Sonapat, Panchkula, Jagadhri and Gurugram.

road and confiscated eight<sup>3</sup> vehicles. The Department, after giving reasonable opportunity decided 42 cases and imposed penalty of ₹ 19.13 lakh and in remaining six cases penalty of ₹ 16.68 lakh was not imposed. Thus, out of the total amount of penalty which worked out to ₹ 35.81 lakh, the Department could recover only ₹ 0.30 lakh (0.84 per cent) and did not initiate action to recover the balance penalty of ₹ 35.51 lakh either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after the lapse of one to three years.

The matter was reported to the Government in November 2020. During exit conference (March 2021), the Department accepted the audit observations and stated that an amount of ₹ 0.29 lakh had been recovered and efforts would be made/notices had been issued to recover the balance amount of ₹ 18.58 lakh in respect of DETCs (Excise), Hisar, Jagadhri, Panchkula and Sonapat. In DETC (Excise) Gurugram (East), the Department stated that an amount of ₹ 5.57 lakh out of ₹ 16.64 lakh had been recovered by converting NIPS into a full bottle. The action of the Department is not justified, as per Punjab Excise Act, minimum penalty of ₹ 50 per bottle or part thereof 750 ml is liable on an offence for possession of illicit liquor.

**The Department may consider strengthening its internal control mechanism to ensure proper collection of dues and fixing the responsibility of concerned officers for non-levy or short levy of penalty.**

**The instances of deficiencies pointed out by Audit are based on test checked cases. The Department may take appropriate action to review all similar cases.**

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<sup>3</sup> DETCs (Excise) Hisar (03 Vehicles), Jagadhri (02 Vehicles) and Panchkula (03 Vehicles).