

CHAPTER-V STATE EXCISE

5.1 Tax administration

The Secretary to the Government (Excise), is the administrative head of the Excise Department at the Government level. The Department is headed by the Excise Commissioner (EC). The Department is divided into three⁵⁴ zones, which are headed by the Joint Excise Commissioners (JEC), South, Central and North zone. The divisions at the district level are working under the Deputy Excise Commissioners (DEC). Besides, Excise Circle Inspectors (ECI) and Excise Inspectors (EI) under the control of the DEC of the respective districts are deputed to oversee collection of excise duties, licence fees, etc.

5.2 Internal audit

The Internal Audit Wing (IAW) in the State Excise Department is monitored by the EC. The Wing consists of one JEC assisted by one Assistant EC, three Superintendents, three EIs and six Preventive Officers. The priority for internal audit is given to offices where Government revenue is collected by way of rentals, duty and taxes, large number of vehicles seized, huge collectable arrears are pending and to the offices where undue delay in conducting IAW inspection is noticed. During 2018-19, the IAW planned 48 units for internal audit which were covered during the year. The Department cleared 2,492 audit observations out of 4,104 outstanding which was 60.72 *per cent* of the outstanding objections (August 2019).

5.3 Results of audit

There are 67 auditable units in the State Excise Department. Out of these, 28 units were selected for audit during the year 2018-19. Scrutiny of the records of these units disclosed 16 cases of non/short realisation of excise duty and license fee and other irregularities involving ₹ 1.59 crore. These cases are illustrative only as these are based on the test check of records. Audit pointed out some of the similar omissions in the earlier years also. Not only do these irregularities persist, but they also remain undetected till the next audit is conducted. Government needed to improve the internal control system including strengthening of internal audit so that occurrence/recurrence of the lapse can be avoided. Underassessment of tax and other irregularities involving ₹ 1.59 crore in 16 cases which fall under the following categories are given in **Table - 5.1**.

⁵⁴ South zone (Alappuzha, Kollam, Kottayam, Pathanamthitta and Thiruvananthapuram), Central zone (Ernakulam, Idukki, Palakkad and Thrissur) and North zone (Kannur, Kasargod, Kozhikode, Malappuram and Wayanad).

Table - 5.1

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1	Non/short levy of Excise duty/License fee	5	0.06
2	Non levy of fee and fine on unauthorised reconstitution of Board of Directors of Companies	2	0.36
3	Others	9	1.17
Total		16	1.59

During the course of the year, the Department accepted under-assessment and other deficiencies involving ₹ 0.95 crore in 13 cases pointed out by Audit. The Department realised an amount of ₹ 0.49 crore in 11 cases during the year 2018-19.

One paragraph involving ₹ 0.23 crore is mentioned in the succeeding paragraph.

5.4 Short collection of cost of establishment

As per Section 14 of the Abkari Act, the State recovers the cost of establishment and other incidental charges including leave salary and pension contribution of the staff deployed for the supervision of the manufacturing units of foreign liquor from the licensees. Though leave salary and pension contribution had originally been levied at 25 per cent of the average of the scale of pay applicable, it was revised⁵⁵ by the department as 25 per cent of the maximum of the scale of pay citing Rule 146 of the Part I of Kerala Service Rules. However, the Hon'ble High Court of Kerala vide Judgement WP(c) No. 10464/2015 dated 31 March 2015 directed the Inspector of Excise, Amrut Distilleries to recalculate the leave salary and pension contribution payable by M/s Amrut Distilleries in respect of the staff of the Excise Department deployed in its unit at 25 per cent of the average of the salary payable to them, and suitably adjust the excess amount collected from M/s Amrut Distilleries Private Limited, Palakkad for the period from 1 April 2000 till date, towards amounts payable by the petitioner presently or in future.

In view of the decision by the Hon'ble High Court of Kerala, leave salary and pension contribution of ₹ 27.31 lakh paid by M/s Amrut Distilleries Private Limited during April 2000 to September 2014 was adjusted by the department towards the payment of cost of establishment for the period from June 2015 to July 2016.

Scrutiny of the Cost of Establishment Register revealed that the licensee had remitted leave salary and pension contribution at the rate of 25 per cent of the maximum scale of pay during the period from July 2005 to December 2013, and the excess amount paid works out to ₹ 4.57 lakh only. Instead of adjusting the excess amount of ₹ 4.57 lakh, the entire amount of ₹ 27.31 lakh paid by M/s


⁵⁵ Order No. XE1-1614/2005 dated 23 May 2005 of EC.

Amrut Distilleries Private Limited towards leave salary and pension contribution for the period from April 2000 to September 2014 was adjusted by the department resulting in inadmissible adjustment and short recovery of the cost of establishment of ₹ 22.74 lakh.

On this being pointed out to the Government (March 2020), it was stated (December 2020) that notice was issued to the licensee to remit the adjusted excess amount. The licensee filed a writ petition (WP(c) 16759/18) against the notice which is pending before the Hon'ble High Court of Kerala. Further reply is awaited (December 2020).

Recommendation: It is recommended that the Department may constitute a mechanism for effective monitoring and approval at a higher authority level prior to sanctioning of such high value transactions.

**Thiruvananthapuram,
The 29 March 2021**


**(K. P. ANAND)
Principal Accountant General
(Audit II), Kerala**

Countersigned

**New Delhi,
The 05 April 2021**


**(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India**