

CHAPTER-III: STATE EXCISE

3.1 Results of audit

Test check of the records of state excise, conducted during the year 2007-08, revealed non/short realisation of licence fee, excise duty, interest/penalty and other irregularities amounting to Rs. 2.53 crore in 44 cases, which fall under the following categories:

(Rupees in crore)			
Sr. No.	Particulars	Number of cases	Amount
1.	Non/short realisation of excise duty/interest	18	1.41
2.	Non/short realisation of licence fee/penalty	14	0.44
3.	Other irregularities	12	0.68
Total		44	2.53

During 2007-08, the department accepted under assessments of Rs. 41 lakh involved in eight cases which had been pointed out in audit in earlier years.

A few illustrative cases involving Rs. 1.27 crore are mentioned in the succeeding paragraphs.

3.2 Non-recovery of interest on late payment of bid money and licence fee

Under Section 59 of the Punjab Excise Act, 1914, as applicable to Himachal Pradesh, the Financial Commissioner is empowered to make rules regarding the manner of payment of duty or fee. As per the excise auction announcements for the year 2006-07, the highest bidder shall deposit seven *per cent* of the bid money into the Government treasury within 10 days of the auction or 31 March whichever is earlier. It further provides for payment of licence fee in 10 equal instalments by the licensee holding licence for vending country made liquor or Indian made foreign liquor (IMFL). The licensee is required to pay the instalments by the last day of each month. Failure to pay an instalment or part thereof by the due date, renders him liable to pay interest at the rate of 10 *per cent* per annum for a delay of upto one month from the date of default on the amount which remains unpaid. If the default in the payment of licence fee exceeds one month, such licensee shall pay interest at the rate of 18 *per cent* per annum on the unpaid amount from the date of expiry of one month's period.

Test check of the bid money files¹, M-2² registers and treasury challans of four³ Assistant Excise and Taxation Commissioners (AETCs), between May and September 2007 revealed that four licensees had belatedly paid bid money of Rs. 3.88 crore and monthly instalments of licence fees of Rs. 51.37 crore during 2006-07. The delay in the payment of bid money and licence fees ranged between 4 and 144 days, for which interest of Rs. 99.96 lakh was recoverable from the licensees. The department failed to levy and recover it.

After the cases were pointed out between May and September 2007, the AETC, Hamirpur intimated in July 2008 that Rs. 10 lakh had been recovered in June 2008 and efforts were being made to recover the balance amount. The licensee had also filed a suit in local court. AETC Bilaspur intimated in February 2008 that interest of Rs. 20.11 lakh had been recovered and the licensee had been directed to deposit the balance amount. Details of recovery and reply from two AETCs have not been received (September 2008).

The matter was reported to the Government between May and October 2007; their reply has not been received (September 2008).

3.3 Short recovery of licence fee

The excise auction announcements for the year 2006-07, provide for payment of licence fee by the licensee holding licence for vending country made liquor or IMFL. The licensee is required to pay instalments of licence fee by the prescribed period. If the licensee fails to deposit the instalment or instalments plus interest

¹ Containing particulars regarding the actual bid made by the bidder and the amount of bid money received.

² Register for recording receipts of fees from licensees.

³ Bilaspur: Rs. 22.90 lakh, Chamba: Rs. 2.99 lakh, Hamirpur: Rs. 24.77 lakh and Mandi: Rs. 49.30 lakh.

upto the last day of the next month or the last instalment by 15 February, the AETC/Excise and Taxation Officer (ETO) incharge of the district or any other officer authorised or directed by him would ordinarily seal the vend on 1st day of the following month or 16 February as the case may be.

3.3.1 Test check of the records of two⁴ AETCs between May and September 2007 revealed that two licensees had deposited Rs. 1.54 crore only for the month of January 2007 against the payable licence fee of Rs. 1.69 crore. The department did not take any action to seal the vends and recover the balance amount of Rs. 15.13 lakh even after the close of the financial year. This resulted in short recovery of licence fee.

After the cases were pointed out between May and September 2007, the department intimated between August 2007 and February 2008 that Rs. 13.98⁵ lakh had been recovered. Further report on recovery for the balance amount of Rs. 1.15 lakh has not been received (September 2008).

The matter was reported to the Government between May and October 2007; their reply has not been received (September 2008).

3.3.2 Under Rule 5 of the Punjab Distillery Rules (PDR), 1932, as applicable to Himachal Pradesh, the licence fee for a licence in form D-2⁶ is payable on production of IMFL at the rate of 90 paise per unit of 750 mls for own brands, Rs. 1.40 for other's brands and country liquor at the rate of 70 paise per unit of 750 mls, subject to a minimum of Rs. 75,000 per annum recoverable at the time of grant/renewal of licence.

Test check of the records of AETC Sirmour between January 2007 and March 2008 revealed that a licensee⁷ having D-2 licence was liable to pay a licence fee of Rs. 17.17 lakh (Rs. 10.56 lakh for 2005-06 and Rs. 6.61 lakh for 2006-07) on the production of IMFL and country liquor during these years. Against this, the licensee paid Rs. 7.69 lakh only resulting in short recovery of licence fee of Rs. 9.48⁸ lakh.

After the case was pointed out between January 2007 and March 2008, the department intimated in March 2008 that out of Rs. 4.75 lakh for the year 2005-06, Rs. 3.98 lakh had been recovered. Further report on recovery and reply for the year 2006-07 has not been received (September 2008).

The matter was reported to the Government between January 2007 and April 2008; their reply has not been received (September 2008).

⁴ Bilaspur: one: Rs. 6.31 lakh and Hamirpur: one: Rs. 8.82 lakh.

⁵ Bilaspur: Rs. 5.16 lakh and Hamirpur: Rs. 8.82 lakh.

⁶ Distillery licence for manufacture of country liquor and IMFL.

⁷ M/s Tiloksons Brewery and Distillery, Kala Amb.

⁸ 2005-06: Rs. 4.75 lakh and 2006-07: Rs. 4.73 lakh.

3.4 Non-realisation of duty on excess wastage

The PDR, provides for prescribing of scale of wastage of spirit allowable in the maturation room of a distillery. Through a notification dated 20 September 1965, issued under the PDR, the Excise and Taxation Commissioner prescribed norms for wastage in the spirit maturation warehouse during the period of storage in Kasauli distillery/spirit bottling section in Solan Brewery. Excise duty on all other spirits is leviable at the rate of Rs. 23 per proof litres⁹ (PLs) with effect from 1 April 2006.

Test check of the records of Kasauli distillery¹⁰ in December 2007 revealed that against admissible maturation wastage of 11,801.60 PLs of spirit, the actual wastage allowed was 20,851.50 PLs. Excise duty of Rs. 2.08 lakh was payable by the licensee on the excess wastage of 9,049.90 PLs of spirit during 2006-07. Neither did the department demand the duty nor was it paid by the licensee resulting in non-realisation of Rs. 2.08 lakh.

The matter was reported to the department and the Government in January 2008; their reply has not been received (September 2008).

⁹ A unit of measuring spirit's standard strength.

¹⁰ M/s Mohan Meakin Ltd.