

Chapter IV: State Excise Duties/Stamp Duty and Registration Fees

4.1 Results of audit

Test check by audit of records of State Excise Department/stamp duty and registration fees during the year 2005-06 revealed irregularities amounting to Rs. 30.82 crore in 935 cases which broadly fall under the following categories:

(In crore of rupees)

Sr. No.	Category	Number of cases	Amount
A: State excise duty			
1.	Loss of excise duty due to sub normal yield of spirit from molasses	6	3.08
2.	Outstanding recovery of excise duty	13	9.29
3.	Non payment of excise duty on account of non lifting of quota of IMFL	1	1.07
4.	Other irregularities	8	9.48
	Total	28	22.92
B: Stamp duty and registration fees			
1.	Non/short levy of stamp duty and registration fees	625	4.26
2.	Misclassification of instruments	171	1.87
3.	Short levy of stamp duty and registration fees on lease deeds	53	0.31
4.	Other misc irregularities	58	1.46
	Total	907	7.90
	Grand total	935	30.82

During the year 2005-06, the department accepted audit observations involving Rs.3.95 crore in 114 cases. Out of these cases, the Inspector General of Registration recovered Rs.17.10 lakh in 51 cases.

A few illustrative cases involving financial effect of Rs. 7.22 crore are given in the following paragraphs:-

A: State Excise Duties

4.2 Sub normal yield of spirit from molasses

The Punjab Distillery Rules 1932, (Distillery Rules) envisage that one quintal of molasses should yield 36.61 proof litres of spirit.

During test check of records of four* distilleries, it was noticed between August and November 2005 that 1.99 crore proof litres of spirit was produced during the year 2004-05 from 5.76 lakh quintals of molasses as against envisaged yield of 2.11 crore proof litres of spirit. Had the norms for yield of spirit been achieved, Government would have earned excise duty of Rs. 6.29 crore on additional yield of 12.09 lakh proof litres of spirit.

After this was pointed out in audit, Excise and Taxation Officer (ETO), Randhawa, (Hoshiarpur) stated in August 2005 that the percentage of sugar contents present in the molasses received from sugar mills was not constant so it was not possible to obtain spirit as per norms. ETO Main (Patiala) stated in September 2005 that with advancement of technology, sugar mills were extracting maximum sugar from sugarcane and the sugar contents in molasses were reduced to a minimum while ETO Khalsa (Amritsar) stated that the production of rectified spirit depended upon the quality of molasses and ETO Banur (Patiala) stated that it was a policy matter and it would be examined. The replies are not acceptable because as per the records 'A' grade molasses were supplied by the Controller of Molasses (ETC) and Government has prescribed the norms of yield of spirit in its Rules after due consideration of all these factors and uncertainties involved.

The matter was brought to the notice of department and referred to Government in January 2006; their replies are awaited (August 2006).

4.3 Non realisation of cost of establishment charges

Under Distillery Rules, the licensee shall make payment of the salaries of the Government excise establishment posted to distillery into Government treasury as may be demanded by the commissioner.

During test check of records of Excise and Taxation Commissioner (ETC), it was noticed in December 2005 that demand on account of cost of establishment charges amounting to Rs.72.53 lakh for the year 2003-04 and 2004-05 was not

* M/s Khalsa Distillery Co. Khalsa (Amritsar), M/s AB Sugars Ltd Randhawa-Dasuya (Hoshiarpur). M/s Patiala Distillers & Manufacturer Ltd. Vill Main (Patiala) and M/s Chandigarh Distillers & Bottlers Ltd. Banur (Patiala).

raised by the ETC which resulted in non realisation of cost of establishment charges of Rs.72.53 lakh.

The matter was brought to the notice of department and referred to Government in December 2005; their replies are awaited (August 2006).

B: Stamp Duty and Registration Fees

4.4 Short levy of stamp duty and registration fee

Under the Punjab Stamp (dealing of under valued instruments) Rules, 1983 as amended in 2002, the collector of a district in consultation with the committee of experts as defined thereunder, fixes the minimum market value of land/properties, locality wise and category wise in the district, for the purpose of levying stamp duty on instrument of transfer of any property.

During test check of records of sub registrars (SRs), Ludhiana (East) and Patiala and joint sub registrar (JSR), Dhariwal (Gurdaspur), it was noticed between July 2004 and August 2005, that in 13 conveyance deeds registered between July 2004 and March 2005 on account of sale of residential/commercial property, stamp duty was charged on consideration of Rs.46.27 lakh as set forth in the instruments instead of Rs.3.05 crore i.e, the value of land determinable on the basis of price fixed by the respective collectors. This resulted in short levy of stamp duty and registration fee amounting to Rs.17.08 lakh.

After this was pointed out, JSR Dhariwal intimated in May 2006 that demand of Rs.9.69 lakh in five cases had been sent to collector for recovery as arrears of land revenue. SR Ludhiana intimated in May 2006 that case had been referred to collector to determine the value while the reply from SR Patiala was still awaited (August 2006).

The matter was brought to the notice of department and referred to Government between August 2005 and January 2006; their replies are awaited (August 2006).

4.5 Incorrect grant of exemption to charitable institution

By a notification issued in February 1981, Government exempted from levy of stamp duty and registration fee, instruments of transfer of land by sale or gift executed in favour of a charitable institution within the meaning of the Charitable Endowment Act, 1890 (Central Act of 1890) for the purpose of construction of roads or buildings of schools, colleges, hospitals and dispensaries on such land.

During test check of records of SR Amritsar I, it was noticed in June 2005 that a sale deed of land valuing Rs.50 lakh was executed without levy of stamp duty in November 2004 in favour of a trust and without recording the purpose in the sale deed. This resulted in incorrect grant of exemption of stamp duty of Rs.3.10 lakh including registration fee.

After this was pointed out, SR Amritsar I stated in June 2005 that reply would be furnished after verification of records. Final reply was still awaited (August 2006).

The matter was brought to the notice of department and referred to Government in November 2005; their replies are awaited (August 2006).