

## CHAPTER 6

### STATE EXCISE

#### 6.1 Results of Audit

Test check of records of departmental offices conducted during the period from April 2001 to March 2002 revealed non-levy/short levy of excise duty, non/short collection of licence fees, privilege fees etc., non/short levy of administrative service fee, non/short collection of penalty/interest etc., amounting to Rs.62.00 crore in 59 cases which broadly fall under the following categories.

Sl. No.	Categories	No. of cases	Amount (Rs. in crore)
1	Non levy/short levy of excise duty	3	0.54
2	Non/Short collection of licence fees, privilege fees, etc.	20	0.65
3	Non/short levy of administrative service fee	2	0.14
4	Non/short collection of penalty/interest	5	1.42
5	Other cases	29	59.25
	<b>Total</b>	<b>59</b>	<b>62.00</b>

During the course of the year 2001-2002, the concerned department accepted and recovered under-assessments of Rs.0.15 lakh in 4 cases out of which 3 cases involving Rs.0.06 lakh pertain to earlier years. Obviously the recovery machinery requires tightening.

A few illustrative cases involving a financial effect of Rs.29.23 lakh are mentioned below:

#### 6.2 Incorrect allowance of wastages

According to the Tamil Nadu Distillery Rules, 1981, no wastage of spirit is allowable except actual loss in transit.

For any shortage, penalty at the rate of sixteen rupees per proof litre is leviable.

However, in the office of the Commissioner of Prohibition and Excise it was noticed (January 2002) that in respect of four distilleries, wastage of spirit of 78539 proof litres (47312.35 Bulk Litre) was allowed during 1999-2000 and 2000-2001 on account of storage and evaporation loss which was not admissible and the department failed to levy penalty. This resulted in non-realisation of penalty of Rs.12.57 lakh.

This was pointed out to the department (January/June 2002) and to the Government (May/June 2002) and followed up with reminder (September 2002). However, in spite of such efforts no reply was received (September 2002).

### **6.3 Non-collection of enhanced privilege and licence fee from Distilleries**

Under the provisions of Rule 3(b) of Tamil Nadu Distillery Rules, 1981, distillery licence has to be obtained for the manufacture of spirit on payment of privilege fee and the licence fee prescribed from time to time and is renewable every year. Government had enhanced (April 2000) the rates of privilege fees from Rs.1 lakh to Rs.2 lakh and licence fee from Rs.2000 to Rs.4000.

Test check of the records of the office of Commissioner of Prohibition and Excise, Chennai, revealed that in respect of eleven<sup>20</sup> Distilleries for the year 2000-2001, privilege fees and licence fees were collected at the old rates instead of at new rates. This had resulted in short-collection of privilege and licence fees amounting to Rs.11.22 lakh.

The case was reported to the department (March 2002) and the Government (May/June 2002) and followed up with reminder (September 2002). However, in spite of such efforts, no reply was received (September 2002).

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<sup>20</sup> Salem Co-operative Sugar Mills Ltd, D-Unit (Mohanur); Chemplast Sanmar Ltd. (Salem District), Mohan Breweries and Distilleries, D-Division (Chingleput), Chemplast Sanmar Ltd. (Chennai), Southern Agri Furane Industries, (Chennai-I), Rajashree Sugars & Chemicals Ltd, Sakthi Sugars Ltd. (Erode), The Amaravathy Co-operative Sugar Mills (Coimbatore), Trichy Distilleries and Chemicals (Chennai-20), Thiru Arooran Sugars Ltd, (Papanasam) and Bannari Amman Sugars (Bhavani).

#### 6.4 Short collection of privilege fee due to misclassification of star hotels

Under the Tamil Nadu Liquor (Licence and Permit) Rules, 1981, star hotels in the State have to obtain FL3 licences for the possession of liquor in their hotels. Accordingly they have to pay privilege fees annually according to their star status, determined by Government of India Tourism office.

It was noticed in three<sup>21</sup> Excise offices that in respect of six hotels between the years 1997-98 and 2000-2001, though the star status of the hotels were upgraded, privilege fees were collected at the rates applicable to the lower grade. This had resulted in short collection of privilege fees amounting to Rs.5.44 lakh as detailed below:

(Rupees in lakh)

Sl. No.	Name of the Hotel and Licence No.	Error in classification	Period	Privilege fee		Difference
				Due	Collected	
1	2	3	4	5	6	7
1	M/s. Hotel South Son (P) Ltd., Salem 8/92-93	2 instead of 3 Star Hotel with effect from 20.2.1997	1997-98 & 1998-99	2.00	1.50	0.50
2	M/s. Hotel LRN Excellency, Salem 23/97-98	Single instead of 2 Star Hotel with effect from 8.12.1996	1997-98 & 1998-99	1.50	1.00	0.50
3	M/s. Hotel Adithya, Chennai-26 14/98-99	Single instead of 3 Star Hotel with effect from 8.12.1999	8.12.99 to 31.3.01	2.63	1.32	1.31

<sup>21</sup> Commissioner of Prohibition and Excise, Deputy Commissioner (Excise) Chennai and Assistant Commissioner (Excise) Salem.

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<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
4	M/s. Deecee Manor, Chennai-17 9/93-94	Single instead of 3 Star Hotel with effect from 30.6.1999	1.7.99 to 31.3.01	3.50	1.75	1.75
5	M/s. GRT Grand days, Chennai 6/98-99	3 instead of 4 Star Hotel with effect from 16.5.2000.	17.5.00 to 31.3.01	2.63	1.75	0.88
6	M/s..Palani Shri.Raja-lakshmi Hotels (P) Ltd., Palani 26/98-99	Single instead of 2 Star Hotel with effect from 16.2.1999.	1999-00	1.50	1.00	0.50
<b>Total</b>						<b>5.44</b>

On this being pointed out (July 1999/February 2001/March 2002) the department had collected Rs.1.00 lakh in respect of two hotels. Reply in respect of other hotels has not been received (September 2002).

The matter was reported to the Government (January 2001/ February and April 2002) and followed up with reminder (September 2002). However, in spite of such efforts, no reply was received (September 2002).