

Executive Summary

The levy and collection of State Excise Duty is sole responsibility of the State Government in terms of entry 52 of List II of the Seventh Schedule of the Constitution of India. The State Excise Duty is one of the important sources of tax receipts of the State Government and it constituted 11.87 *per cent* of the total revenue collections of the State of Punjab

Receipts from State Excise mainly consist of duty which is levied on production and sale of liquor. Licence fee is levied and collected on grant of different type of licences for manufacture and sale of liquor. Other receipts of Excise Department are application fees, permit fees, development cess, penalty and interest for delayed/belated payments of dues etc. Rates of Excise Duty, licence, permit and application fees are determined by the State Government and their collection is made by the Excise and Taxation Department.

The revenue from State Excise duty increased from ₹ 1568.16 crore to ₹ 2373.07 crore during the period 2005-06 to 2010-11. We saw that the increase in State excise revenues was not commensurate to the increase in consumption of liquor in the State. In this context we considered it necessary to examine whether the policy measures taken by the Government for increasing the Excise Revenues were adequate and whether the Department was discharging its functions effectively and efficiently, in the overall performance of levy and collection of the State Excise duty.

We conducted a Performance Audit on Working of State Excise Department for the period 2005-06 to 2009-10 in order to ascertain whether the provisions of various Acts and Rules made thereunder were enforced effectively by the Excise and Taxation Department. We ascertained whether there existed an effective system for levy and realisation of excise duty on production of liquor, licence fees on sale of liquor and levy of interest/penalty etc. in the cases of default was effective. We also analysed internal controls and monitoring mechanism for their effectiveness. Further, we tried to assess whether the environmental and ecological concerns had been taken care of by the distilleries in the process of manufacture of liquor and also whether the Department had discharged its social functions of preventing the production/sale of spurious and illicit liquor.

We found that the liquor was produced previously only from molasses for which there existed norms of production of liquor and the permissible losses. We saw that production of liquor in the State during the last decade was from grains too for which no norms were fixed to ensure that wastages were kept in check, in the interests of revenue. We also found that procedures for implementation for the revised norms for production of alcohol from molasses had yet to be implemented.

We found that allowing wastage/breakage in excess of the prescribed percentages to wholesale vendors of country liquor (L-13 licensees) resulted in loss of excise duty of ₹ 1.39 crore.

We observed that additional quota of PML/IMFL allowed by the Department to the licensees at concessional rates resulted in loss of revenue of ₹ 22.61 crore.

We observed that due to absence of provisions for levy of interest on delayed payment of fees for renewal of licenses by the Distilleries and Bonded Warehouses resulted in loss of ₹ 41.49 lakh to the revenue.

We found that non payment of assessed fee on the opening stock of liquor and beer for the year 2008-09 by L-1 licensee of CSD Depot had resulted in loss of excise duty of ₹ 6.27 crore.

We found that ₹ 13.81 crore of fees were collected on locally printed receipt books instead of Government printed receipt books and the amount was not entered in the Cash Book. Non-adherence to the prescribed procedure is fraught with the potential risk of misappropriation of government money and sign of weak internal controls in the Department.

We found that Department Development funds of ₹ 31.49 crore were collected against which only ₹ 5.63 crore were spent and ₹ 25.86 crore remained unspent thereby defeating/objectives for its levy/collection. We found that ₹ 199.78 crore was collected during the period 2005-06 to 2009-10 as Education cess, against which, only a sum of ₹ 32.99 crore was transferred during April 2008 to January 2009 to the Education Development Fund and the balance funds of ₹ 166.79 crore, which had been credited to the Consolidated Fund of the State, had not been transferred to the Fund /spent for the stated objectives.