

CHAPTER-II DISTRICT EXCISE OFFICES

2.1 Introduction

In case of excise receipts, the Collector of a district is the administrative head of the Excise Department in that district. An Assistant Excise Commissioner of the Excise Department, who is posted at the District Headquarters and designated as the District Excise Officer (DEO) carries out all functions on his behalf. All the powers of the Collector relating to administration are delegated to him.

We test checked the records of seven¹ District Excise Offices (DEOs), out of 71 in the State, for the period April 2004 to March 2009 between September 2009 and December 2009. Observations noticed in four² DEOs during transaction audit were also included in this chapter. During the test check, the following irregularities involving money value of ₹ 14.44 crore were noticed, which we have discussed in the succeeding paragraphs :

System deficiencies

2.2 Short levy of licence fee on shops of Foreign Liquor

Under the provisions of the Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Foreign Liquor) Rule 2002 (as amended) annual licence fee in respect of the retail shops of foreign liquor is leviable on the basis of number of bottles sold out in the current year. As per the new excise policy the number of bottles was to be calculated on the basis of actual sale of nine months i.e. from April to December and presumptive sale of three months on the basis of 1/3 of sale of April to December i.e. 4/3 of the actual sale of nine months upto 2008-09 and thereafter actual sale of 10 months i.e. from April to January and presumptive sale to February and March by 1/5 of April to January i.e. 12/10 of the actual sale of 10 months.

Seven DEOs³ involving 153 retail license shops of foreign liquor

We noticed from the consumption register⁴ that the actual sales of the above retail shops were more than the presumptive sales during the years 2006-07 to 2008-09 by 3.87 lakh bottles. The department had at no time made any effort to ascertain

The Excise policy envisaged that in case any difference of license fee realised from the retailers on the basis of the aforesaid formula (henceforth called presumptive sales) and the license fee realisable from the actual sales was noticed, the matter should be referred to the Government for seeking their guidance so that there is no loss of revenue to the Government.

the actual sales made by the retailers, by dint of which the shops could have been settled on higher license fee by the Government. Thus, the Government was deprived of revenue to the tune of ₹ 2.07 crore by way of licence fee.

We further observed that the department had not put in place any monitoring mechanism by way of returns to review the actual sales made by the retailers during a year for referring the same to the Government as envisaged by them in the policy. In fact it was unaware of the additional license fee payable by those shops whose sales exceeded the presumptive sales.

¹ Aligarh, Ghazipur, G B Nagar, Lucknow, Moradabad, Muzafarnagar and Saharanpur

² Ballia, Farukhabad, Mainpuri and Mau.

³ Aligarh, Ghazipur, G B Nagar, Lucknow, Moradabad, Muzafarnagar and Saharanpur

⁴ The register indicates monthly quantity of liquor lifted. It is maintained by each DEO.

After we pointed out the observation the department stated (May 2010) that the settlement was made as per the new excise policy issued by the Government. The reply is not tenable as in these cases the actual sales had exceeded the presumptive sales and as such these were required to be referred to the Government for seeking their guidance for determination of correct license fee.

The Government may consider putting in place a monitoring system that may be by way of introducing periodical returns for ascertaining the increase in the actual sales as compared to the presumptive sales at the apex level so as to enable the Government to fix the license fee correctly.

Compliance deficiencies

2.3 Non-realisation of excise duty due to short lifting of minimum guaranteed quota of country liquor

Under the provisions of the Uttar Pradesh Excise (Settlement of licenses for the retail sale of country liquor) Rules 2002, a minimum guaranteed monthly quota (MGQ) of country spirit to be lifted by each licensee is fixed by the department. A licensee is required to lift the entire MGQ fixed for him during a year.

Five⁵ DEOs involving 38 licensees of country liquor

We noticed that 38 licensees lifted 9,72,661.70 bulk liters (BL) of country liquor against the MGQ of 10,81,656.22 BL during the period 2006-07 to 2008-09. As such, the differential amount of licence fee i.e. ` 1.04 crore on 1,08,994.52 BL of country liquor lifted short, was to be recovered from the licensees. This was not done.

Rules provide that the country liquor lifted short by a licensee shall be adjusted from the security deposit of the licensee and a notice shall be issued to the licensee by the third day of the next month to replenish the deficit in the security amount either by lifting such quantity of country liquor involving duty equivalent to the adjusted amount or by depositing cash or a combination of both.

We found that the department was unaware of the MGQ lifted short; it had at no time reviewed the monthly consumption register/ascertained the position of lifting of liquor against the monthly MGQ fixed by the department. Thus, excise duty amounting to ` 1.04 crore remained unrealised.

After we reported the cases to the department it stated (May 2010) that in one case entire licence fee of ` 5.89 lakh has been realised. We have not received report on the action taken in the remaining cases. (August 2010)

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2.4 Short realisation of licence fee in settlement of Model Shop

DEO Farrukhabad involving one licence

We noticed that the license fee of a model shop of foreign liquor and beer set up in

As per Government order dated 10 January 2007 read with the circular of the Excise Commissioner, Uttar Pradesh dated 25 January 2007, the licence fee for setting up a model shop for the year 2007-08 or part thereof was fixed for ` eight lakh or the highest licence fee among the settled retail shops in the district for the same year, for both foreign liquor and beer, whichever was higher.

up in November 2007 was fixed as ` 5.32 lakh though the highest licence fee of a retail shop

⁵ Ballia, Ghazipur, Lucknow, Mainpuri and Mau.

of foreign liquor and beer in the city was ` 10.65 lakh. Thus, incorrect fixing of the licence fee resulted in short realisation of revenue of ` 5.33 lakh.

2.5 Non-forfeiture of Basic Licence Fee and security deposits led to loss of revenue

Two⁶ DEOs involving 44 country liquor shops

The Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Country Liquor) Rules 2002 provide that amount of Basic Licence Fee (BLF) shall be deposited in full within three working days, half of the security amount within 10 working days and rest of the amount within 20 working days, of receipt of the intimation of the selection of shops. In case of default, the selection of shops would be cancelled and amounts of BLF and security deposits, if any, would be forfeited in favour of the Government and the shops would be resettled forthwith.

We noticed that during the period 2007-08 to 2008-09 though the licenses of the above country liquor shops were settled or renewed, these licensees, however, did not deposit the entire amount of BLF and security deposit as required under the rules. For the default no action was initiated as envisaged

in the rules.

Thus, failure of the department to comply with the rules deprived the Government of revenue to the tune of ` 7.02 crore by way of BLF and security money.

2.6 Loss of revenue due to non-forfeiture of lapsed deposits of security money

Under the provisions of Uttar Pradesh Excise (Settlement of Licences of Retail Sale of Country Liquor) Rules 2002 (as amended) the amount of security deposit is required to be deposited into the Government account.

Four⁷ DEOs involving 125 retail liquor licensees

We found that the security deposits amounting to ` 4.26 crore made by 125 retail liquor licensees were carried forward from year to year during the period from 2002-03 to 2008-09, though there is no such provision in the Act or in the rules. The security deposits being more than three years old were required to be treated as lapsed and credited into the Government account. This was not done. Thus

non-adherence of the financial provisions resulted in short recovery of revenue to that extent.

⁶ Ghazipur and Muzafarnagar
⁷ Ghazipur, Lucknow, Muzafarnagar and Saharanpur.

**CHAPTER-III
SUGAR FACTORIES**

