

CHAPTER III STATE EXCISE

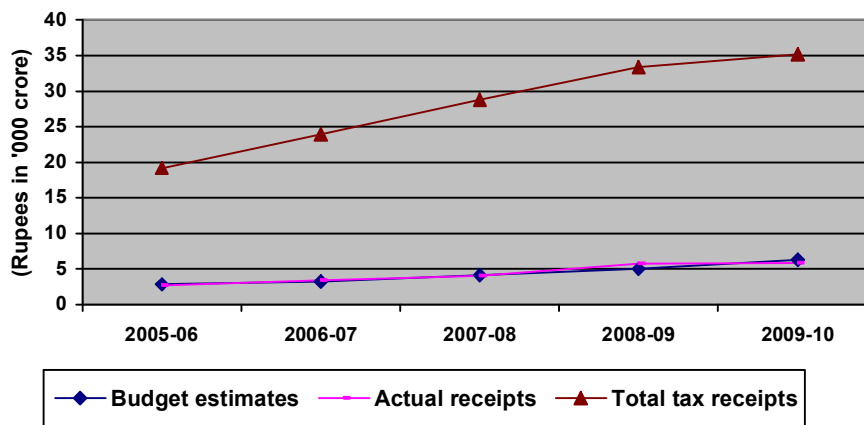
3.1 Tax administration

The State Excise Department is governed by the Andhra Pradesh Excise Act, 1968, The Andhra Pradesh Prohibition Act, 1995, the Narcotic Drugs and Psychotropic substances Act, 1985 etc. The Principal Secretary to Government, Revenue Department is the controlling Authority at Government level. The Prohibition and Excise Commissioner is head of the Excise Department in all matters connecting with Administration. The Administration of Excise Department in the State is divided into 53 Excise Districts each headed by Prohibition and Excise Superintendent who is assisted by the Assistant Excise Superintendents and Excise Inspectors in the district. The Deputy Commissioners supervise the overall functioning of the offices of Excise Superintendents.

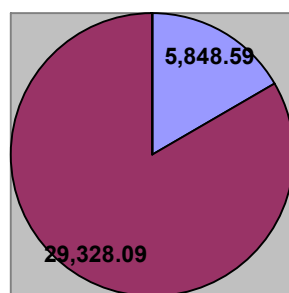
3.2 Trend of receipts

Actual receipts from State Excise during the years 2005-06 to 2009-10 along with the total tax receipts during the same period is exhibited in the following table and graph.

(₹ in crore)						
Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2005-06	2,851.18	2,684.57	(-) 166.61	(-) 5.84	19,207.41	13.98
2006-07	3,250.00	3,436.63	(+) 186.63	(+) 5.74	23,926.20	14.36
2007-08	4,125.00	4,040.69	(-) 84.31	(-) 2.04	28,794.05	14.33
2008-09	4,991.25	5,752.61	(+) 761.36	(+) 15.25	33,358.29	17.24
2009-10	6,260.00	5,848.59	(-) 411.41	(-) 6.57	35,176.68	16.63



(₹ in crore)



■ State Excise ■ Other Receipts

Though the budget estimates were on steady increase each year during 2005-06 to 2009-10, the percentage of variation between the budget estimates and actual receipts ranged between (-) 2.04 per cent to (+) 15.25 per cent indicating the need for streamlining the budgeting process.

3.3 Results of audit

Test check of the records of 55 offices of the State Excise Department during the year 2009-10 revealed under assessment of tax and other irregularities involving ₹ 18.88 crore in 136 cases which fall under the following categories:

Sl. No.	Category	No. of cases	(₹ in crore)
			Amount
1.	Non/short levy of additional licence fee	41	11.26
2.	Incorrect fixation of upset price	13	3.12
3.	Non-levy and collection of penal interest on belated payment of licence fee	31	0.71
4.	Other irregularities	51	3.79
Total		136	18.88

During the course of the year 2009-10, the Department accepted underassessments and other deficiencies of ₹ 28.24 lakh in 12 cases of which, three cases involving ₹ 7.46 lakh were pointed out during the year 2009-10 and the rest in the earlier years. An amount of ₹ 22.63 lakh was realised in nine cases.

A few illustrative cases involving ₹ 29.61 lakh are mentioned in the succeeding paragraphs.

3.4 Audit observations

During scrutiny of the records in the offices of State Excise Department, we observed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of licence fee/penalty and other cases as mentioned in the succeeding paragraphs in this Chapter. These cases are illustrative and are based on a test check carried out by us. We pointed out such omissions in audit each year, but not only do the irregularities persist; these remain undetected till an audit is conducted. There is a need for the Government to consider directing the Departments to improve the internal control system including strengthening the internal audit so that such omissions can be avoided, detected and corrected.

3.5 Non-levy of additional licence fee

As per Rule 10 of AP Excise (Grant of licence of selling by bar and conditions of licence) Rules, 2005, the enclosures for consumption of liquor, which are not contiguous, shall attract levy of an additional licence fee at 10 per cent for each such additional enclosure.

We noticed (February and September 2009) in test check of the records of ten¹ offices of Prohibition and Excise Superintendents (PES) that the concerned PES did not levy 10 per cent

additional licence fee of ₹ 1.52 crore for the years 2006-07 to 2008-09 on 54 non-contiguous enclosures². This resulted in non-levy of additional licence fee of ₹ 1.52 crore.

After we pointed out the cases, the PESs, Amalapuram and Kakinada stated (August and September 2009) that the additional licence fee was applicable to the premises licensed by the local authority for establishing hotel restaurant. The reply is not acceptable as the enclosures for consumption of liquor in these cases are separated by sales counter, store room etc., which are enclosures for purposes other than the consumption of liquor. PES, Khammam and Warangal stated (March and August 2009) that the licences were granted after physical verification of the premises by the Deputy Commissioner of Prohibition and Excise. PES, Anantapur stated (March 2009) that the enclosures were not separated from one another by areas of different utilities. The replies are not acceptable as the enclosures for consumption of liquor were separated by enclosures utilised for purposes other than the consumption of liquor. As such, these were non-contiguous and attracted the levy of additional fee. All other PESs stated (between June and September 2009) that the matter would be examined.

¹ Amalapuram, Anantapur, Bhimavaram, Kakinada, Khammam, Nalgonda, Narasaraopet, Saroornagar, Tenali and Warangal.

² "Enclosure" is defined as an area of consumption of liquor, which is contiguous in utility for consumption. If one consumption enclosure is separated from another enclosure by non-contiguity and interposition of areas of different utilities other than consumption of liquor, it attracts additional licence fee.

We referred the matter to the Department between July and December 2009 and to the Government in June 2010; their reply has not been received (January 2011).

3.6 Short levy of licence fee

As per Rule 10 of AP Distillery (Manufacture of Spirits) Rules, 2006 read with G.O.Ms.No.91 Revenue (Ex.III) Department dated 27.01.2007, annual licence fee is payable by a distillery at ₹ 4 lakh for the production capacity upto 20 lakh BLs and ₹ 1 lakh for every additional 10 lakh BLs or part thereof.

We noticed (December 2009) in test check of the records of Distillery Officer, Bodhan that a licensee³ was permitted to manufacture 178.50 lakh BLs of spirit per annum during the period 1.04.2007 to

31.03.2010. Thus, the licensee is liable to pay ₹ 60.00 lakh⁴. However, the Commissioner of Prohibition and Excise had granted licence on payment of licence fee of ₹ 36.00 lakh instead of ₹ 60.00 lakh. This resulted in short levy of licence fee of ₹ 24.00 lakh.

After we pointed out the case, the Distillery Officer, Bodhan stated (December 2009) that the matter would be brought to the notice of the Commissioner of Prohibition and Excise.

We referred the matter to the Department in January 2010 and to the Government in July 2010; their reply has not been received (January 2011).

3.7 Non-levy of interest on belated payments of licence fee

As per Rule 3 of AP Excise (Levy of Interest on Government Dues) Rules, 1982, the arrears of money recoverable shall bear interest at the rate of 18 per cent per annum.

We noticed (between January and November 2009) in test check of the records of Commissioner of Prohibition and Excise

and two offices of PESs⁵ that the instalments of licence fee for the years 2006-07 and 2008-09 were remitted beyond the due dates and interest of ₹ 5.61 lakh was not levied on the belated payments of instalments of licence fee.

After we pointed out the cases, the assessing authorities stated (between January and November 2009) that amount would be collected.

We referred the matter to the Department between July 2009 and January 2010 and to the Government in June 2010; their reply has not been received (January 2011).

³ M/s Nizam Deccan Sugars Limited.

⁴ Upto 20 lakh BLs - 4,00,000; 158.50 lakh BLs - 16,00,000; licence fee 20,00,000 per annum; licence fee for 3 years = 60,00,000.

⁵ Hyderabad and Secunderabad.