

CHAPTER - III STATE EXCISE

3.1 Tax administration

The State Excise Department is working under the Commercial Tax Department of the Government of Madhya Pradesh. The Excise Commissioner (EC) is the head of the department and is assisted by Additional Excise Commissioner (Addl. EC), Deputy Excise Commissioners (DECs), Assistant Excise Commissioners (AECs) and District Excise Officers (DEOs), both at the headquarters at Gwalior and in the districts. In the districts, the Collector heads the excise administration and is empowered to settle shops for retail vending of liquor and other intoxicants and is responsible for realisation of excise revenue.

The working of distilleries and bottling plants (foreign liquor) and breweries is monitored by the DEOs with the assistance of the ADEOs.

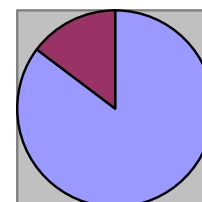
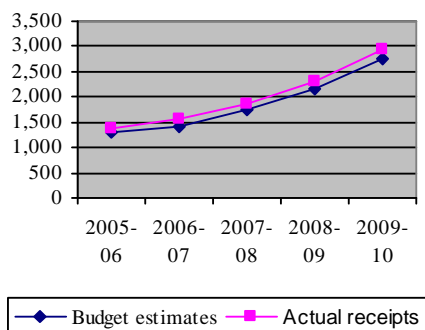
3.2 Trend of receipts

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 State Excise receipts vis-a-vis total tax receipts
2005-06	1,300.00	1,370.38	(+) 70.38	(+) 5.41	9,114.70	15.04
2006-07	1,430.00	1,546.68	(+) 116.68	(+) 8.16	10,473.13	14.77
2007-08	1,750.00	1,853.83	(+) 103.83	(+) 5.93	12,017.64	15.43
2008-09	2,150.00	2,301.95	(+) 151.95	(+) 7.07	13,613.50	16.91
2009-10	2,760.00	2,951.94	(+) 191.94	(+) 6.95	17,272.77	17.09

The percentage contribution of State Excise receipts to the total tax revenue of the State has been increasing over the last four years.



■ Total tax receipts (2009-10)
■ State Excise receipts (2009-10)

3.3 Cost of collection

(₹ in crore)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2008-09
1.	State Excise	2007-08	1,853.83	396.04	21.36	3.66
		2008-09	2,301.95	505.46	21.96	
		2009-10	2,951.94	818.34	27.72	

The percentage of expenditure on the collection of state excise is abnormally higher than the all India average percentage. We observed in the Finance Accounts that there is no separate head showing 'collection charges' as is available in the case of other taxes like taxes on sales/trade, taxes on vehicles *etc.*, and the cost of liquor paid to the manufacturers from the budget provisions for expenditure was also being booked under the head 2039-state excise along with other expenditures.

The Government may consider opening of a separate sub-head 'collection charges' on the lines of practice for the other taxes for effectively monitoring the functioning and the performance of the department. This will also enable the State to compare the collection cost position *vis-a-vis* the all India average Government percentage on a like to like basis.

3.4 Impact of audit

During the five years, audit had pointed out non/short levy, non/short realisation, underassessment/loss of revenue with revenue implication of ₹ 538.87 crore in 38,548 cases. Of these, the department/Government had accepted audit observations in 26,936 cases involving ₹ 262.50 crore and had since recovered ₹ 18.90 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	No. of units audited	Objected		Accepted		Recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	41	4,286	149.44	1,344	8.47	--	--
2005-06	27	5,405	77.12	1,110	39.03	88	3.25
2006-07	30	4,183	109.24	4,285	91.13	1,311	11.35
2007-08	40	12,185	88.06	9,520	24.73	31	2.72
2008-09	50	12,489	115.01	10,677	99.14	260	1.58
Total	188	38,548	538.87	26,936	262.50	1,690	18.90

The amount recovered out of the accepted cases has been abysmal over the last five years.

3.5 Working of internal audit

Internal audit wing (IAW) was established in the department in 1978. During the year 2009-10, internal audit of 44 districts was planned against which internal audit was conducted only in 26 districts. Particulars of major comments/observations of the IAW and corrective action taken by the department have not been received (December 2010).

3.6 Results of audit

Test check of the records of 36 units relating to State Excise receipts revealed underassessment, loss of revenue, non-levy of penalty amounting to ₹ 201.88 crore in 10,606 cases which can be categorised as under:

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Non-levy/recovery of duty on excess wastages.	2,323	6.66
2.	Loss in re-auction/bidding of excise shops.	46	71.12
3.	Non-levy of penalty on non-maintenance of minimum stock of country spirit/rectified spirit.	180	1.34
4.	Non-realisation of license fee from excise shops.	439	37.22
5.	Non-levy of penalty for breach of license conditions.	3,133	3.56
6.	Others.	4,485	81.98
	Total	10,606	201.88

During the course of the year, the department accepted underassessment and other deficiencies of ₹ 167.51 crore in 7,566 cases, which were pointed out in audit during the year 2009-10. An amount of ₹ 24.22 lakh was realised in 56 cases during the year 2009-10.

A few illustrative audit observations involving ₹ 5.09 crore are mentioned in the following paragraphs.

3.7 Non-realisation of excise duty on unacknowledged export/transport of foreign liquor/beer

Four ACs and three DEOs

The Madhya Pradesh Excise Act, 1915 and the Rules made thereunder provide that no intoxicant shall be exported/transported from any distillery, brewery, warehouse or any other place of storage unless the licensee deposits the prescribed duty leviable on the full quantity of the intoxicant to be transported/exported or furnishes a Bank guarantee of an equal amount or executes a bond with adequate solvent sureties for the amount mentioned in form FL 23. Besides, the licensee shall obtain a verification report from the officer-in-charge of the foreign liquor warehouse and furnish it to the authority, who issued the transport/export permit, within 40 days of the expiry of period of permit. In case of default the duty involved shall be recovered from the deposit made, bank guarantee furnished or the security bond executed.

3.7.1 We observed in nine bottling units¹ and three breweries² of seven districts³ between January and December 2009 that the licensees exported 3,42,784.8 proof litres (PL) of foreign liquor and 5,48,400 bulk litres (BL) of beer on 197 permits between December 2007 and September 2009 which involved duty of ₹ 9.28 crore. Though the verification reports of receipt of quantity of liquor so exported were not received from the destination units within the prescribed time limit, the department did not

initiate any action for adjustment of duty against cash deposit or bank guarantee or bonds even after a lapse of one to 13 months after the permissible period of 40 days.

After we pointed out the cases, the AECs/DEOs stated (between January and December 2009) that 37 verification reports had been received and 135 verification reports would be submitted on their receipt and 25 cases were under consideration in different courts for violation of conditions of the rules. The replies are not acceptable because the verification reports were not received within the stipulated period. Further replies have not been received (December 2010).

3.7.2 We observed in seven bottling units⁴, and one brewery⁵ of six districts⁶ between January and October 2009 that the licensees transported

¹ M/s United Spirit Ltd., Bhopal; M/s Jubilee Brewerage, Bhopal; M/s Oasis Distillery, Dhar; M/s Cox India Ltd., Chhattarpur; M/s Silver Oak India Ltd., Pithampur, Dhar; M/s Gwalior Distillery, Gwalior; M/s Rairu Distillery, Gwalior; M/s Som Distillery, Raisen; M/s Redson Distillery, Jabalpur.

² M/s Jagpin Brewery Ltd., Chhattarpur; M/s M.P. Beer Products Indore; M/s Som Distillery and Brewery, Raisen.

³ Bhopal, Chhattarpur, Dhar, Gwalior, Indore, Jabalpur and Raisen.

⁴ M/s Great Galean Ltd, Dhar; M/s Associated Alcohol and Brewery Ltd, Khargone; M/s Som Distillery Ltd, Raisen; M/s Som Distillery and Brewery Ltd, Raisen; M/s Ratlam Alcohol and Carbon dioxide Plant, Ratlam; M/s Surya Bottling Ltd, Sagar, M/s Mahakal Distillery, Ujjain.

1,22,028.02 PL of foreign liquor and 70,980 BL of beer to different foreign liquor warehouses in the State on 48 permits between March 2004 and August 2009 involving excise duty of ₹ 2.41 crore. It was noticed that in violation of the provisions, the department issued the transport permits without obtaining the prescribed duty or bank guarantee or bond with adequate solvent sureties for the amount of duty involved. The verification reports of receipt of above liquor in the destination units were also not obtained by the licensees and submitted to the permit issuing authority within the prescribed time limit of 40 days. However, the department did not take any action to recover the leviable duty from the cash deposit/bank guarantee/security bonds even after a lapse of period ranging from one to 59 months after permissible period of 40 days.

After we pointed out the cases, the AECs/DEOs stated (between January and October 2009) that the verification reports would be submitted on their receipt. The fact, however, remains that the verification reports had not been submitted to the permit issuing authority within the prescribed time limit. Besides, transportation of liquor was also allowed without deposit of duty/bank guarantee or duly executed bond.

We reported the matter to the EC and the Government between March 2009 and March 2010; their replies have not been received (December 2010).

⁵ M/s Som Distillery and Brewery Ltd, Raisen.

⁶ Dhar, Khargone, Ratlam, Raisen, Sagar and Ujjain.

3.8 Non recovery of excise duty/non imposition of penalty

3.8.1 On inadmissible wastage of spirit/country liquor

Thirteen Excise offices⁷

The MP Distillery Rules allow wastage of 0.1 to 0.2 per cent on account of leakage or evaporation of spirit transported or exported in tankers from a distillery/warehouse to another distillery/warehouse. Up to 2 October 2008 in case of wastage beyond permissible limit, the EC or the officer authorised for the purpose, may impose maximum penalty of ₹ 30 per PL. In case of wastage of bottled country liquor beyond permissible limit of 0.5 per cent during transport and 0.25 per cent during export with effect from 3 October 2008, duty at the prescribed rates shall be recovered from the licensee. Further, as per notification dated 3 October 2008, on all deficiencies in excess of the limits allowed under above rules, licensee shall be liable to pay penalty at the rate exceeding three times but not exceeding four times the duty payable on country liquor at that time.

We observed between December 2008 and November 2009 that in respect of cases for the period prior to 03 October 2008, on wastages of spirit/ country liquor beyond permissible limits during export and transport of spirit penalty was not

imposed by the departmental authorities as detailed below:

Period	Commodity	No of cases	Wastage beyond permissible limit	
			Description	Quantity
November 2005 to May 2009	Spirit	280 Permits	Export/transport from distilleries to ware houses	66,900.27 PL
November 2005 to July 2009	Country liquor	754 cases	Export/transport from distillery/manufacturing ware houses to storage ware houses	12,344.675 PL

After we pointed out the cases, all the Excise Officers except those of Raisen and Jabalpur stated between December 2008 and November 2009 that cases had been sent to higher authorities for necessary action. DEO (Distillery), Raisen stated (February 2009) that duty on account of excess wastage was recoverable by the importing state. The reply is not acceptable because it is inconsistent with the provisions of the rules. The AEC, Jabalpur stated (January 2009) that the wastage was within the permissible limit. Reply is contrary to the audit finding. Further reports have not been received (December 2010).

Though this issue has also been pointed out by us earlier through Audit Reports, the Department has not invoked penal provisions in large

⁷ Ashoknagar, Bhind, Jabalpur, Khandwa, Khargone, Narsinghpur, Panna, Raisen, Satna, Sehore, Sidhi, Tikamgarh and Ujjain.

number of cases. This inaction on the part of departmental authorities has diluted the very purpose of incorporating the penal provisions to impress the licensees to maintain the wastage of spirit/country liquor within the permissible limits.

3.8.2 On inadmissible wastage in transport and export of foreign liquor/beer

Five foreign liquor warehouses⁸ and five breweries⁹ in seven districts¹⁰

MP Foreign liquor Rules provide that the maximum wastage allowance for all exports of bottled foreign liquor/beer shall be 0.25 per cent. For all transports, within the same district it shall be 0.1 per cent and 0.25 per cent in other cases. If wastages/losses exceed the permissible limit, the prescribed duty on such excess wastage shall be recovered from the licensee. As per notification dated 3 October 2008, on all deficiencies in excess of the limits allowed under rules, licensee shall be liable to pay penalty at the rate exceeding three times but not exceeding four times the maximum duty payable on foreign liquor at that time.

We observed from the records in five foreign liquor ware-houses and five breweries in seven districts between January 2009 and February 2010 that in 1,420 cases during export/transport of foreign liquor, 8,018.667 PL spirit and 58,085.69 BL beer was shown as wastage in excess of the admissible limit by the licensees during the period between April 2008 and December 2009 on

which duty/minimum penalty of ₹ 1.41 crore was recoverable from them. It was, however, seen that only an amount of ₹ 5.69 lakh was recovered from the licensees in four districts¹¹ and no action was taken to recover the remaining amount of duty/minimum penalty of ₹ 1.35 crore. This resulted in non-realisation of revenue of ₹ 1.35 crore.

After we pointed out the cases, all the Excise Officers (between January 2009 and February 2010) stated that action for recovery or to impose penalty would be taken as per rule and intimated to audit. Further report has not been received (December 2010).

We reported the matter to the EC and the Government between December 2008 and March 2010; their replies have not been received (December 2010).

⁸ Bhopal, Indore, Jabalpur, Rewa and Ujjain.

⁹ M/s Lilasons Brewery Ltd, Bhopal, M/s M.P. Beer Products Ltd, Indore, M/s Mount Everest Brewery Ltd, Indore, M/s Skol Brewery Ltd, Morena, M/s Som Distillery and Brewery Ltd, Raisen.

¹⁰ Bhopal, Indore, Jabalpur, Morena, Raisen, Rewa and Ujjain.

¹¹ Bhopal, Indore, Jabalpur and Ujjain.

3.9 Non-realisation of excise duty due to non disposal of spirit/foreign liquor

Five AECs and two DEOs

In case of expiry, non-renewal and cancellation of licence or labels, the licensee shall place the entire stock of liquor under the control of the DEO. However, he can be permitted to dispose of such stock to any other licensee within 30 days of such expiry or cancellation, failing which the EC may ask any other eligible licensee of the State to purchase such stock or may issue orders for the disposal of the stock.

We observed between January and December 2009 that no action for cancellation of the requisition of the labels and to dispose the stock of foreign liquor was taken by the department even after lapse of the period ranging from 9 to 48 months.

Thus it resulted in non-realisation of revenue of ₹ 2.52 crore as detailed in the table below:

(₹ in lakh)			
Name of unit	Nature of liquor Spirit/Foreign liquor	Nature of irregularity	Revenue involved
M/s Beam Global Spirit & Wine P. Ltd, Indore FL-XA	Foreign liquor	Stock of 27,749.77 PL foreign liquor, remaining unsold received from different foreign liquor warehouses between April and September 2009, was lying undisposed of.	86.94
M/s M.P. Beer Products, Indore FL-9	Foreign liquor and ENA	Stock of 17,075.3 PL bottled foreign liquor and 14,073.1 PL Extra Neutral Alcohol (ENA) held by unit after expiry of licence from 1 April 2008.	56.07
M/s Cox India Ltd. Naugaon, Chhatarpur FL-9	Foreign liquor	Stock of 23,087.17 PL bottled foreign liquor and 7,839 BL beer received back from Uttaranchal State between April 2008 and February 2009, which was not saleable in MP, was lying undisposed of.	43.90
M/s Som Distillery & Brewery Ltd, Raisen FL-9	Foreign liquor		
M/s White Hall India Ltd. X-A	Foreign liquor	Stock of 30,481.5 PL bottled foreign liquor was lying undisposed in the foreign liquor warehouses at Rewa, Sagar, Jabalpur and Ujjain districts due to expiry of the licenses/labels of the units.	24.23
M/s Ratlam Alcohol Plant Ratlam FL-9			15.58
M/s Gold Water Distillery Bhind FL-9			8.13
M/s Surya bottling unit Sagar FL-9			5.77
M/s Mensons Alcohol FL-9A Khargone			4.51
M/s S.G. Distillery Jabalpur FL-9			3.90
M/s Alkobru Distillery FL-9			2.50
TOTAL			

After we pointed out the cases, five AECs/DEOs¹² stated (between January and December 2009) that the proposal for disposal of foreign liquor had been

¹² Chhatarpur, Indore, Jabalpur, Raisen and Ujjain.

sent to the EC for further orders. AEC, Rewa and DEO, Chhatarpur stated (March and May 2009) that the proposal for disposal of foreign liquor would be sent to EC. Officer in charge of the foreign liquor warehouse at Sagar stated (October 2009) that letters had been issued to the concerned distillers for disposal of foreign liquor. Further reports have not been received (December 2010).

We reported the matter to the EC and the Government between August and December 2009, their reply has not been received (December 2010).

3.10 Non-levy of penalty for non-maintenance of minimum stock

Two DEOs

A distillery licensee is required to maintain the prescribed minimum stock of spirit at the distillery. In the event of failure, the EC may impose a penalty not exceeding ₹ five per PL up to 2 October 2008 and thereafter rupee one per BL on the quantity found short of the minimum prescribed stock irrespective of the fact whether any loss has actually been caused to the Government or not. The distillery officer is required to forward the cases of such failure to the EC for levy of penalty for effective monitoring of such cases.

We observed in two distilleries¹³ in Dhar and Khargone districts in May and June 2009, that the distillers did not maintain the prescribed minimum stock of spirit on 179 occasions between June 2008 and May 2009. The DEOs, however, failed to take up the matter with the EC for levy of penalty of ₹ 1.15 crore on 14.61 lakh PL spirit up to 2 October 2008 and thereafter on 41.80 lakh BL of spirit found short of the minimum prescribed stock. This resulted in non-

imposition of penalty of ₹ 1.15 crore.

After we pointed out the cases, the DEO, M/s Oasis Distillery Ltd. stated (June 2009) that proposal for imposing penalty on the distiller had been sent to the EC. The DEO, Khargone stated (May 2009) that non-maintenance of the minimum stock of spirit did not effect supply of country liquor. The reply is not acceptable as the DEO failed to report the matter to the EC for deciding the leviability of penalty on the distiller.

We reported the matter to the EC and the Government between August 2009 and March 2010, their reply has not been received (December 2010).

¹³ M/s Oasis Distilleries, Borali, Dhar, M/s Associated Alcohol and Brewery, Khodigram, Khargone.

3.11 Short recovery of transport fee on poppy straw due to incorrect application of rates

Three DEOs¹⁴ and PS 2 licensee¹⁵

Narcotic Drugs & Psychotropic Substances (MP) Rules, 1985 provides for levy of transport fee at the rate of ₹ five per Kg for transport of poppy straw from a PS 2 licensee to another PS 2 licensee. Further, transport fee at the rate of ₹ 25 per permit upto 31 March 2008 and thereafter ₹ 100 per permit is chargeable when poppy straw is transported from farmers to wholesale licensees or from one godown to another godown of the same licensee.

We observed between June and August 2009 that 16,90,407 Kgs. of poppy straw was transported from 14 wholesale licensees¹⁶ to other licensees between April 2007 and July 2009 on which transport fee of ₹ 84.52 lakh was leviable at the rate of ₹ five per Kg. However, the excise authorities charged transport fee of ₹ 38,725 at the rate of ₹ 25 per permit

upto 31 March 2008 and there after ₹ 100 per permit incorrectly. This resulted in short levy of transport fee of ₹ 84.13 lakh.

After we pointed out the cases, the DEO, Mandsaur and Neemuch stated (July and August 2009) that the poppy straw was transported from one godown to another godown by the same licensee. The DEO, Shajapur (June 2009) stated that the transporter/consignor and the consignee was the same person and it was not transported from one licensee to another. Therefore, the rate applied was correct. Fact, however, remains that the transfer of poppy straw was not between two godowns owned by the same PS2 licensee. Rather, it was between the godowns covered under separate PS2 licences and situated at distant places, as was evident from the record.

We reported the matter to the EC and the Government between August 2009 and March 2010; their reply has not been received (December 2010).

¹⁴ Mandsaur, Neemuch and Shajapur.

¹⁵ Wholesale licensee of poppy straw.

¹⁶ Mandsaur district: Garoth, Kalakheda and Sitamau.

Neemuch district: Barodiyakala, Chaldu, Denthal, Jeeran, Kanhakheda, Kankariya talai and Neemuch, Shajapur district: Agar, Maxi, Shajapur and Soyat.

3.12 Non realisation of duty/penalty on shortage of spirit/foreign liquor

Three distilleries¹⁷ and one warehouse¹⁸

The rules framed under the Act do not provide for any shortage in the stock of spirit/ foreign liquor held by a licensee on any date. Accordingly duty/penalty for such shortages shall be leviable on the licensee at the prescribed rates for such shortages.

We observed between December 2008 and December 2009 that the excise authorities in the course of physical verification of stock held by the licensees between May 2007 and November 2008, noticed shortage of 9,061.1 PL spirit and 8,935.49 PL foreign liquor. However, these authorities

failed to take any action to levy duty/minimum penalty of ₹ 37.20 lakh recoverable from the licensees for the shortages in stocks of spirit/foreign liquor.

After we pointed out the cases, the DEOs, Guna and Ratlam stated (December 2008 and December 2009) that the cases had been referred to higher authorities for further orders whereas AEC, Ujjain and DEO, Satna stated (January and March 2009) that the action for recovery was being taken. Further report has not been received (December 2010).

We reported the matter to the EC and the Government between February 2009 and March 2010; their replies have not been received (December 2010).

3.13 Non-recovery of penalty for breach of rules

Eight excise offices¹⁹

The EC or the Collector, in the event of any breach or contravention of the rules or conditions of the licence, may impose penalty. The penalty so imposed is recoverable from the licensee either in cash or from the security amount deposited by him.

We observed between December 2008 and January 2010 that penalty of ₹ 16.38 lakh was imposed by the Collector in 2697 cases of breach of rules or conditions of licence on different licensees during the period 2006-07 to 2009-10. Instead of effecting

recoveries of this amount of penalty from the security amount deposited by the licensees, the department refunded security amount deposited by them for the years 2006-07 to 2008-09 even after expiry of their licences. This resulted in non-realisation of revenue of ₹ 16.38 lakh.

After we pointed out the cases, the AEC, Gwalior stated (January 2010) that the entire amount of ₹ 4.08 lakh had been recovered in 648 cases. The AEC, Indore stated (February 2010) that ₹ 1.52 lakh had been recovered in 215 cases and action for recovery in the remaining cases was in progress.

¹⁷ M/s Guna Distillery, Guna, M/s Ratlam Alcohol and Carbondioxide Plant, Ratlam and M/s Glasgo Distillery, Satna.

¹⁸ Mahidpur District Ujjain.

¹⁹ Bhind, Gwalior, Indore, Jabalpur, Narsinghpur, Shahdol, Shivpuri and Ujjain.

The remaining AECs/DEOs stated between December 2008 and January 2010 that action for recovery was in progress. Fact, however, remains that the recoveries made are subsequent to our intervention and can not cover up the irregular release of security without recovering Government dues. Further report has not been received (December 2010).

The matter was reported to the EC and Government between February 2009 and March 2010; their replies have not been received (December 2010).

3.14 Non-realisation of expenditure incurred on Government establishment

DEO, Khargone

MP Distillery Rules, provide that if the expenditure incurred on the State Government establishment at a distillery exceeds five *per cent* of the revenue earned on the issue of spirit therefrom, by export fee or any other levy, the amount in excess of the aforesaid five *per cent* shall be realised from the distiller.

We observed in May and June 2009 that the expenditure incurred on the Government establishment in two distilleries²⁰ was ₹ 15.03 lakh whereas revenue earned by the Government was ₹ 51.76 lakh during April 2008 to March 2009. Thus, an amount of ₹12.45 lakh was incurred in excess of five *per cent* of

the revenue earned which was required to be realised from the distillers. But the department did not take any action to recover the same. This resulted in non-realisation of revenue of ₹ 12.45 lakh.

After we pointed out the cases, DEO, Khargone accepted (June 2009) this lapse for non-recovery of the amount. Further reply has not been received (December 2010).

We reported the matter to the EC and Government in August 2009 and March 2010, their replies have not been received (December 2010).

²⁰ M/S Associated Alcohol and Brewery Khodigram, Khargone,
M/S Agarwal Distillery, Sabalpur, Khargone.

3.15 Short levy of Ahata licence fee

Two AECs²¹ and three DEOs²²
FL 1 B Ahata Licence²³

Annual licence fee on FL 1-B Ahata Licence adjunct to an FL-1 licence, shall be equivalent to two *per cent* of annual value of FL-1 licence which shall be the sum of basic licence fee and annual licence fee. Notification dated 15 January 2008 stipulates that annual value of country liquor/foreign liquor shop shall be recalculated by adjustment of license fee up to a maximum of 20 *per cent* from the country liquor shop to foreign liquor shop and *vice versa*.

We observed between October 2008 and October 2009 that licence fee of ₹ 4.34 crore of 19 country liquor shops was adjusted to foreign liquor shops during 2007-08 to 2009-10. As a result of the adjustment, the annual value of foreign liquor shops (FL-1) was required to be revised from ₹ 22.48 crore to ₹ 26.82 crore for determining licence fee in respect of Ahata licences at the rate of two *per cent* of such revised annual value of shops. However, it

was noticed that as against the leviable revised licence fee of ₹ 55.63 lakh, the excise authorities levied ₹ 44.40 lakh on the basis of pre-revised annual value of shops. This resulted in short levy/realisation of licence fee of ₹ 9.23 lakh.

After we pointed out the cases, the AEC, Sagar stated (October 2009) that objected amount of ₹ 1.02 lakh had been recovered at the instance of audit. However, details of recovery were not furnished. DEO, Balaghat stated (April 2010) that objected amount of ₹ 58,890 had been recovered in April 2010. AEC, Jabalpur and DEO, Katni stated between January and October 2009 that two *per cent* of annual value of shop was levied and recovered. The reply is not acceptable because the licence fee was not levied on the basis of recalculated annual value of shops. DEO, Harda stated in October 2008 that action for recovery would be taken after scrutiny. Further progress has not been received (December 2010).

We reported the matter to the EC and the Government between February 2009 and March 2010; their replies have not been received (December 2010).

²¹ Jabalpur and Sagar.

²² Balaghat, Harda and Katni.

²³ *AHATA LICENCE*: The licence, which may be granted to an FL-1 or FL-1A licensee only, shall permit consumption of foreign liquor within any premises or *AHATA* which shall be adjunct to the premises of FL-1 or FL-1A licensee.