

CHAPTER-IV Licensing

4.1 Injudicious allotment of additional quota of liquor for sale at concessional rates

The Department has the practice of allotting quota of liquor to the licencees. Once the allotted quota is lifted and the fee is paid in full, it allots additional and further quotas of liquor.

As per the Excise policy for the year 2006-07, no additional quota of PML/IMFL was fixed. However, if after the sale of allotted quota, a licensee wanted to have further quota, the same was allotted against payment of

license fee of ₹ 142 per PL. In the Excise policy for the year 2007-08, it was provided that if the licensee had lifted the entire allotted quota and paid the full licence fee for the year, then the licensee would be allowed to lift upto 10 *per cent* of the PML quota as additional quota at the concessional rate of ₹ 29 per P.L. In the year 2008-09, it was provided that if after the sale of both the allotted quota and 10 *per cent* additional allotted quota, a licensee wanted to have further additional quota of PML, the same would be allotted against payment of regular licence fee of ₹ 139 per P.L fixed for that relevant year. From the year 2009-10, in case the licensee lifted the entire allotted quota and paid the full licence fee for the year, then the licensee shall be allowed to lift 10 *per cent* of the PML and IMFL quota as additional quota at a concessional rate of ₹ 35 per P.L and further quota at ₹ 135 per P.L. The summarised position of the rates for the different kind of quota is given below:

(Amount in ₹)

Year	Type of liquor	Rate for the regular allotted quota	Rate for 10 <i>per cent</i> additional quota	Rate for further additional quota
2006-07	PML & IMFL	142	No additional quota	142
2007-08	PML	139	29	No further quota
2008-09	PML	139	29	139
2009-10	PML/IMFL	135	35	135

We are of the opinion that the Department by not following a consistent policy, has not acted in the revenue interest. In 2006-07, rightly it did not issue any additional quota at concessional rate. In 2007-08, there was no allotment of further quota after the issue of the 10 *per cent* additional quota. The reasons for allotment of the additional quota at concessional rate were not on record. Presuming that the concessional 10 *per cent* additional quota was allowed as incentive for lifting of further additional quota, there was no rationale for allowing the 10 *per cent* concessional quota in 2007-08, when there was no lifting of further quota by the licensees in that year. The Department also accepted, during the Exit conference that no further additional quota was lifted by the licensees in any of the year.

In all the 12 offices of the AETCs test checked, it was found that during the years from 2007-08 to 2009-10, a total of 20.65 lakh PL of additional quota was issued at the concessional rates of ₹ 29/35 per PL to the licensees, which

when compared with the regular rates of ₹ 139/135 per P.L resulted in loss of revenue to the tune of ₹ 22.61 crore.

We reported the matter to the Department (March 2011) to which it was replied that the quota and additional quota was allowed in accordance with the approved Excise policy and the reason behind allowing the additional quota at very concessional rate was to keep a check on the *uchanti* sale of liquor.

The reply of the Department is not convincing as more production should result in more revenue. The Excise Policy is not revenue friendly to the State receipts and we feel that this more excise revenue would have accrued to the State with the increase in consumption of liquor.

4.2 Short recovery of the licence fee from the vend licensees

As per the Punjab Excise Policy for the year 2009-10, a successful applicant was required to deposit 15 *per cent* of the license fee fixed for a licensing unit as security deposit. The licensee was required to pay the remaining license fee in nine equal monthly installments commencing from the month of April. Each monthly installment was payable by the close of the last working day of each month. In case of late deposit of any installment, interest at the rate of 1.50 *per cent* per month, shall be charged in addition to the amount of penalty. The license shall be deemed to have been suspended and the vend(s) closed if the entire license fee of the month is not paid by the 15th day of the next months.

During test check of records of the licensees for the year 2009-10 in the office of the AETC, Jalandhar-II, we observed that seventeen licensees had operated the vends for full term of the year upto the end of March 2010, but had not paid the full license fee along with interest for the late payments. There was short recovery of license fee of ₹ 2.87 crore and interest of ₹ 51.04 lakh for the delayed payment of fee.

On this being pointed out by us, the AETC, Jalandhar II stated that sincere efforts were being made to recover the balance amount from the concerned licensees. An amount of ₹ 14.48 lakh in four cases was stated to have been recovered in the year 2010-11. Consequent upon this recovery in four cases, an amount of ₹ 3.24

crore along-with interest was still recoverable. The Department had not taken any action to suspend the licenses of the defaulters.

The Department replied that proceeding under the Punjab Land Revenue Act, 1887 for short recovery of license fee had been started. The reply is not tenable as the Rules do not provide for such an action. The licenses should have been suspended as per the Rules.

The Department may consider putting in place a system of recovery of licence fee in lump-sum in advance like similar system prevailing in other States e.g. in Maharashtra.



Different kinds of liquor in vends



Innerview of Bottling Plant

4.3 Short realisation of renewal fee for bonded warehouses

Under the Punjab Excise Bonded Warehouse Rules, 1957 the licence for a bonded warehouse is granted for a year and be renewed on or before 31 March of each year. The rate of renewal of license fee prescribed by the Government vide Notification dated 28.3.2003 was ₹ one lakh upto 28 March 2003 and ₹ two lakh thereafter. However, the excise policy for the years 2003-04 to 2007-08 provided the renewal fee as ₹ one lakh only. The renewal fee was again enhanced from ₹ one lakh to two lakh in the excise policies from 2008-09 to 2009-10.

It was noticed that licences of three bonded ware houses were renewed between April 2005 and March 2009 at the rate of ₹ one lakh instead of ₹ two lakh each. This resulted in short realisation of Rupees four lakh from three bonded warehouses as detailed below:

(Amount in ₹)

Sr.No.	Name of the Unit	Year	License fees due	License fees collected	License fees short collected
1.	M/s Rajasthan Liquor Pvt. Ltd. Dera Bassi	2008-09	200000	100000	100000
2.	M/s Batra Breweries & Distilleries Limited, Dera Bassi	2005-06	200000	100000	100000
3.	CSD, Bathinda	2006-07 2007-08	200000 200000	100000 100000	100000 100000
		Total	800000	400000	400000

We reported the matter to the Department (March 2011) to which it was replied that efforts were being made to recover the renewal fee from the concerned bottling plants but final reply was not furnished (July 2011). It is clear that the Department officials have not implemented the revenue aspects of the Excise policy with due care expected. The Department may verify for similar lapses in other cases.

4.4 Lack of provisions for levy of interest against delayed payments of fees

(a) Delayed payment of license fees by the bonded warehouses

As per the Punjab Excise Bonded Warehouse Rules, 1957, the licence may be granted or renewed on payment of ₹ two lakh for a period not exceeding one year and by 31st March following the date of grant of earlier licence.

During test check of records of six¹⁴ bonded warehouses, it was noticed that the licence fee of ₹ 17 lakh was deposited late by 22 to 57 months resulting in loss of interest of ₹ 8.42 lakh, calculated at the rate of one and half *per cent* per month.

The Department replied that there is no provision for recovery of interest for the late payment of renewal fee under the Bonded Warehouse Rules. However, during the Exit conference the Department agreed to examine the issues for incorporation of provisions in the Rules for charging interest on the delayed payment of license fee/renewal fee.

(b) Non-levy of Interest on belated payment of license fees by the distillery.

As per Rule 7(2) of Punjab Distillery Rules, 1932, an application for renewal of licence shall be made by the licensee to the Excise Commissioner at least 90 days before expiry of the existing licence. If such application is not made within such period, the Excise Commissioner, with the prior approval of the Financial Commissioner, may renew the licence on payment of the fee chargeable for a new licence.

Test check of records in the office of the E.T.O. (in-charge excise), M/s Jagatjit Industries Ltd., Hamira revealed that licence for the distillery (D-2 Licence) was not obtained by the Distillery since its inception. Non-recovery of the distillery licence fee had been pointed out by Audit in various previous Local Audit Reports. Therefore, taking cognizance of the matter, the Excise Department filed a case against the Distillery in the court for recovery of the licence fee from the year 1966-67. The

Distillery lost the case in the Punjab and Haryana High Court and consequently it deposited the licence fee of ₹ 1.27 crore for the year 1966-67 to 2009-10. The Distillery, however, did not pay any interest for the belated depositing of the licence fee.

The penal interest against the delayed payment of licence fee by the Distillery for the period covered under the review (2005-06 to 2009-10) alone worked to ₹ 33.07 lakh, at the rate of 1.50 *per cent* per month.

We reported the matter to the Department (March 2011) to which it was replied that there is no provision for levying interest under the Punjab

¹⁴ Batra Breweries & Distilleries Limited, Dera Bassi; National Industrial Corporation Ltd.; N.V Distilleries Breweries (P) Ltd, Dera Bassi; Rajasthan Liquor Pvt. Ltd. Dera Bassi; Mohan Meakin Ltd. Dera Bassi; Punjab Expo. Pvt. Ltd. Dera Bassi.

Distillery Rules 1932, for renewal of license. The provisions of the Punjab Liquor License Rules 1956 are not applicable in this case. However, the Department agreed to examine the issue for incorporation of provisions in the relevant rules for charging interest on the delayed payment of license fee/renewal fee.

4.5 Short realisation of license fees from the L-4A/5A licensees

As per the Punjab Excise policy for the years 2007-08 to 2009-10, license in form L-4A for the retail vend of beer, wine and ready to drink beverages for consumption only in a restaurant and L-5A for the retail vend of beer, wine and ready to drink beverages in a bar are to be issued on collecting the licence fee. For the cities having population of more than one lakh, the fee is fixed as ₹ 1,00,000 and for other cities having population of less than one lakh as ₹ 60,000 per year.

During scrutiny of records in the office of the AETC, Barnala, it was noticed that as per report of the Censes Department, Government of India, the population of Barnala city was 96400 in 2001. As per information collected from the Nagar Council, Barnala, the population of the city in 2007-08 had crossed 1,00,000 and the license fees from three beer bars was required to be recovered at ₹ 1,00,000 instead of the actual collection of ₹ 60,000 per year.

We reported to matter to the Department (March 2011) to which the Department did not accept the audit contention. However in the exit conference it was agreed by the Department to consider the projected population for fixing the license fee for L-4A/L-5A licensees.

4.6 Non-Payment of Assessed Fee on CSD stock

As per the Excise Policy for the year 2008-09 framed by the Punjab Government, the assessed fee at the rate as may be prescribed was leviable on the supply of difference kind of liquor and beer made to the Canteen Store Departments of Army located in the State of Punjab. There was no assessed fee during 2007-08. As such, the assessed fee was leviable on the closing stock for the year 2007-08, which was carried over to the stock of the next year i.e. 2008-09 by the CSD Depot.

Test check of records maintained in the office of the Area Manager, Canteen Stores Department (Liquor Section) Depot, Jalandhar and Pathankot revealed that the closing stock of 12.99 lakh B.L. of different kind of liquor and beer from the year 2007-08 was carried over to the year 2008-09 as opening stock, but the assessed fee of ₹ 6.27 crore payable during the year 2008-09 was not paid by CSD Depots. This resulted in non-payment of assessed fee of ₹ 6.27 crore.

We reported the matter to the Department (March 2011) to which it was replied that recovery of ₹ 4.47 crore was effected out of the total recoverable amount of ₹ 6.27 crore. The recovery of balance amount was awaited (September 2011).