

## CHAPTER-III STATE EXCISE

### 3.1 Tax administration

Excise duty on liquor for human consumption, fees in case of other intoxicants such as *charas*, *bhang* and *ganja* etc. and confiscation imposed or ordered is levied under the UP Excise Act, 1910 (UPE Act) and rules made thereunder. These rules have been made in order to have a proper check over leakages of revenue in the Department by enforcing control over illicit production, import and export of alcohol, illegal purchase and sale of liquor and other intoxicants.

Alcohol is produced in distilleries mainly from molasses obtained as a byproduct during manufacturing of sugar. Various kinds of liquor, such as country liquor (CL) and Indian made foreign liquor (IMFL) like whisky, brandy, rum and gin are manufactured from alcohol. Excise duty on production of alcohol and liquor in distilleries forms a major part of excise revenue. Liquor for human consumption is issued from distilleries either under bond without excise duty or on pre-payment thereof at the prescribed rates. Apart from excise duty, licence fee also forms part of excise revenue. The District Collector (DC) with the assistance of the District Excise Officer (DEO) is responsible for settlement of liquor shops in the district.

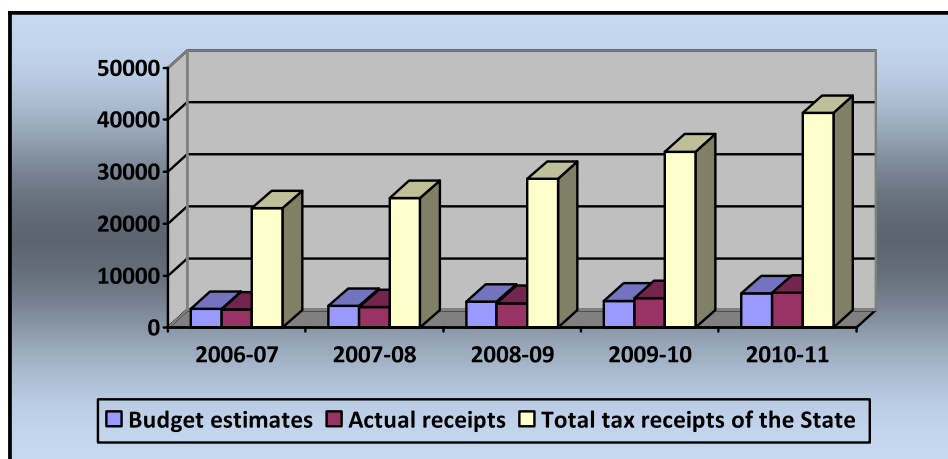
The collection of duty, fee and other taxes is administered and monitored by the Commissioner, Excise who is assisted by two Additional Excise Commissioners, three Joint Excise Commissioners (JECs), 10 Deputy Excise Commissioners (DECs) and six Assistant Excise Commissioners (AECs) at headquarters. For the purpose of effective administration, the State is divided into four zones and 17 circles. At the district level the DEOs/AECs are posted to assess, levy and collect revenue. At the distillery, the AEC/officer incharge (inspector) is posted for levy and collection of excise duty.

### 3.2 Trend of receipts

Actual receipts from State Excise during the years 2006-07 to 2010-11 along with the total tax receipt 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
2006-07	3,650.00	3,551.25	(-) 98.75	(-) 2.71	22,997.97	15.44
2007-08	4,192.00	3,948.40	(-) 243.60	(-) 5.81	24,959.32	15.82
2008-09	5,040.00	4,720.01	(-) 319.99	(-) 6.35	28,658.97	16.47
2009-10	5,176.45	5,666.06	489.61	9.46	33,877.60	16.73
2010-11	6,763.23	6,723.49	(-) 39.74	(-) 0.59	41,355.00	16.26



### 3.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2011 amounted to ₹ 56.72 crore of which ₹ 51.56 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11.

(₹ in crore)

Year	Opening balance of arrears	Addition during the year	Amount collected/written off during the year	Closing balance of arrears
2006-07	59.86	1.08	0.05	60.89
2007-08	60.89	0.56	0.06	61.39
2008-09	61.39	0.59	0.03	61.95
2009-10	61.95	1.35	0.07	63.23
2010-11	63.23	0.45	6.96	56.72

(Source: Information provided by the Department).

**We recommend that the Government may consider taking appropriate steps for early recovery of the arrears.**

### 3.4 Cost of collection

The gross collection of the State Excise revenue receipts, expenditure incurred on collection and percentage of such expenditure to the gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant all India average percentage of cost of collection to gross collection for the relevant previous year are mentioned below:

(₹ in crore)

Year	Gross collection	Cost of collection	Percentage of cost of collection to gross collection	All India average percentage of cost of collection of previous year
2008-09	4,720.01	50.19	1.06	3.27
2009-10	5,666.06	70.86	1.25	3.66
2010-11	6723.49	95.72	1.42	3.64

We noted that the cost of collection for the State Excise Department is well below the all India average.

### 3.5 Revenue impact of audit

During the last five years, we had pointed out through our Inspection Reports non/short levy, non/short realisation, underassessment/loss of revenue,

incorrect exemption, application of incorrect rate of tax, incorrect computation etc. with revenue implication of ₹ 1,989.44 crore in 670 cases. Of these, the Department/Government had accepted audit observations in 45 cases involving ₹ 1.45 crore and had since recovered the amount. The details are shown in the following table:

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	66	126	470.67	04	0.24	04	0.24
2006-07	80	122	60.68	--	--	--	--
2007-08	82	93	18.80	12	0.06	12	0.06
2008-09	118	189	1,372.36	09	0.20	09	0.20
2009-10	119	140	66.93	20	0.95	20	0.95
<b>Total</b>	<b>465</b>	<b>670</b>	<b>1,989.44</b>	<b>45</b>	<b>1.45</b>	<b>45</b>	<b>1.45</b>

### 3.6 Results of audit

Our test check of the records of 190 units during 2010-11 relating to State Excise receipts revealed under assessments of tax and other irregularities involving ₹ 231.03 crore in 435 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Low recovery of alcohol from molasses	40	39.86
2.	Non-lifting of MGQ of country liquor	28	1.38
3.	Non-realisation of licence fee	53	10.35
4.	Non-levy of interest	33	0.91
5.	Other irregularities	281	178.53
<b>Total</b>		<b>435</b>	<b>231.03</b>

During the course of the year, the Department accepted and recovered underassessment and other deficiencies of ₹ 1.33 crore in 46 cases, of which one case involving ₹ 16,290 was pointed out in audit during the year 2010-11 and the rest in earlier years.

A few illustrative cases involving ₹ 1.03 crore are mentioned in the succeeding paragraphs.

### 3.7 Audit Observation

Our scrutiny of records in the offices of the State Excise Department revealed cases of low yield of alcohol, transit loss of total reducing sugar, non-imposition of penalty/interest, short lifting of MGQ of country liquor, etc. 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 point out such omissions each year, but not only do the irregularities persist, these remain undetected till we conduct an audit. There is need for the Government to improve the internal control system so that recurrence of such lapses in future can be avoided.

### 3.8 Potential loss of licence fee for the model shops

#### Three District Excise Offices

As per the State Excise policy notified on 11 February 2009 and 26 February 2010, the licence fee for setting up a model shop for the year 2009-10 and 2010-11 or part thereof was fixed as ₹ 8 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, but it would not be more than ₹ 22 lakh.

We observed from the records of three District Excise Offices (DEOs) between May 2010 and January 2011 that licence fee of 44 model shops<sup>1</sup> of foreign liquor and beer was fixed as ₹ 9.06 crore for the years 2009-10 and 2010-11. The licence fee realisable

on actual sale of these model shops alone was ₹ 13.78 crore. Due to the ceiling of ₹ 22 lakh imposed on upper limit of the licence fee of model shops, the Department has suffered a loss of licence fee of ₹ 4.72 crore<sup>2</sup>, as the actual sales and the licence fee realisable ranged from 16.52 per cent to 109.73 per cent above the actual fee realised from these model shops.

(₹ in lakh)

Sl. No.	Name of Unit	Period	No. of shops	Actual licence fee realised	Total licence fee as per actual sale of these model shops	Percent higher than actual licence fee realised from model shops	Short realisation of licence fee
							When compared licence fee on actual sale of these model shops
1.	DEO, G.B. Nagar	2009-10	16	352.00	410.15	16.52	58.15
		2010-11	16	352.00	553.45	57.23	201.45
2.	DEO, Ghaziabad	2010-11	01	22.50	37.69	67.51	15.19
3.	DEO, Muzaffarnagar	2010-11	11	179.56	376.60	109.73	197.04
<b>Total</b>			<b>44</b>	<b>906.06</b> or <b>9.06 crore</b>	<b>1377.89</b> or <b>13.78 crore</b>	<b>52.07</b>	<b>471.83</b> or <b>4.72 crore</b>

As a result of the ceiling imposed on the upper limit of licence fee of model shops there was a loss of at least ₹ 4.72 crore in these three districts above.

We also observed that the imposition of ceiling was of a part of the proposal sent to the Government by the Department from 2008-09 onwards. The

<sup>1</sup> Model shop is a licenced shop situated in the commercially approved area of the corporation, city or municipality having at least 600 sq.ft. carpet area and consumption facility also.

<sup>2</sup> ₹ 13.78 crore - ₹ 9.06 crore = ₹ 4.72 crore.

Department did not examine the loss of revenue due to imposition of this ceiling despite having all the data available with them. As the proposal sent by the Department was approved as such by the Government, we are of the opinion that the flawed proposal has led to less realisation of licence fee of at least ₹ 4.72 crore in the case of these three DEOs alone.

We reported the matter to the Department and the Government between May 2010 and August 2011. The Government replied (September 2011) that the allotment done and licence fee fixed was as per the policy and they will consider examining the whole issue at the time of preparing the next excise policy.

### 3.9 Low yield of alcohol from molasses

#### Ten distilleries<sup>3</sup>

Under the UP Excise Working of Distilleries (Amendment) Rules, 1978, every quintal of fermentable sugar content present in molasses shall yield alcohol of 52.5 alcoholic liter (AL). For this purpose, composite samples of molasses are required to be drawn by the officer-in-charge of the distillery and sent for examination to the Alcohol Technologist. Failure to maintain the minimum yield of alcohol from molasses consumed entails cancellation of licence and forfeiture of security deposit besides other penalties.

We observed that during the period April 2009 to November 2010, 28 composite samples of molasses were sent to the Alcohol Technologist for determination of sugar content of 3.08 lakh quintal of molasses. On the basis of their

reports, out of 1.19 lakh quintal of fermentable sugar content present in molasses, 62.61 lakh AL of alcohol should have been produced. Against this actual production of alcohol was 61.67 lakh AL leading to total short production of 0.94 lakh AL. After dividing this in the same ratio as that of the total production of potable and industrial alcohol of these distilleries, we found that there was short production of potable alcohol of 0.66 lakh AL involving revenue of ₹ 2.79 crore as shown in **Appendix-VII**. Three cases<sup>4</sup> were compounded by the Excise Commissioner and penalty of ₹ 1.05 lakh was imposed but security amount<sup>5</sup> was not forfeited. The Department also did not cancel the licences of these distilleries as per the requirement of the Act.

We reported the matter to the Department and the Government between September 2010 and August 2011. The Government replied (September 2011) that the rectified spirit is an industrial alcohol and it is a raw material for production of liquor for human consumption (LHC) and tax can be levied only on LHC. We do not agree with the reply as in our observation above, we had already taken this fact into consideration and pointed out the loss caused by low production with respect to the LHC alone.

<sup>3</sup> Modi Distillery, Ghaziabad, Simbhauli Distillery, Ghaziabad, Lords Distillery, Ghazipur, India Glycol Distillery, Gorakhpur, NICL Distillery, Moradabad, Sir Shadilal Distillery, Muzaffarnagar, Shamli Distillery, Muzaffarnagar, Majhola Distillery, Pilibhit, Pilkhani Distillery, Saharanpur and UDBL Distillery, Unnao.

<sup>4</sup> NICL Distillery, Moradabad, (₹ 50,000), Shamli Distillery, Muzaffarnagar (₹ 5,000) and Pilkhani Distillery, Saharanpur (₹ 50,000).

<sup>5</sup> A licence to work as a distillery is granted after the applicant has deposited security money of ₹ 5 lakh in cash and ₹ 15 lakh fixed deposit receipt.

### 3.10 Non-realisation of licence fee from CSD canteen

#### Nine District Excise Offices<sup>6</sup>

As per notification No. 25693/dus/Lic-210/SSB/2010-11 dated 29 March, 2010 of Excise Commissioner Uttar Pradesh effective from 1.4.2010, the licence fee for FL 9/9A from Canteen Stores Depot (CSD) canteen for foreign liquor/ rum and beer was leviable equivalent to 50 per cent of the licence fee fixed by the Excise Commissioner for licences in civil for the relevant year. As per this notification, the rate of licence fee for the CSD canteen was ₹ 13 and ₹ 2.5 per bottle of foreign liquor/rum and beer respectively for the year 2010-11.

We observed that during the period from April 2010 to June 2010, FL-9/9A<sup>7</sup> canteen licensees supplied 12,34,870 bottles foreign liquor/rum and 2,08,898 bottles of beer for which licence fee amounting to ₹ 1.66 crore was leviable. The same was not

assessed and realised despite a further instruction issued later on 27 May 2010 by the Excise Commissioner. After we pointed out this loss of revenue due to non-implementation of the notification, the Department issued a further notification dated 3 January 2011 vide which the implementation date was changed to 1 July 2010, with the proviso that the licence fee deposited by a licensee prior to 1 July 2010 will not be refundable or adjusted.

It is evident that only when we pointed out the revenue loss, the Department changed the effective date of collection previously notified with the view to cover up the delay in implementation rather than realise the loss of licence fee of ₹ 1.66 crore.

We reported the matter to the Government between December 2010 and August 2011. The Government replied (September 2011) that the recoveries from the defence canteens may not be possible. In future, timely issue of circulars will be ensured. The reply reinforces our point of lack of monitoring and control.

### 3.11 Loss of revenue due to transit loss of Total Reducing Sugar (TRS)

#### Five distilleries<sup>8</sup>

Rule 8, 20 and 25 of the *Uttar Pradesh Sheera Niyamtran Niyamawali*, 1974 does not provide for any loss of Total Reducing Sugar (TRS) present in molasses during transit. Further, as per the Excise Commissioner's circular issued in May 1995, maximum 12 per cent non-fermentable sugar is present in TRS and as such 46.2 Alcoholic Liter (AL) of spirit can be produced from one quintal of TRS.

We observed that while transporting molasses during July 2009 to October 2010, there was a loss of TRS which ranged between 0.02 to 6 per cent of the quantities shown in

<sup>6</sup> Allahabad, Bareilly, Budaun, Farrukhabad, Gorakhpur, Kanpur Nagar, Lucknow, Meerut and Varanasi.

<sup>7</sup> A licence granted in connection with grant of contract under military canteen system is in Forms FL-9/FL-9A.

<sup>8</sup> Nanpara Distillery, Bahraich, Kesar Enterprises Ltd. Distillery, Baheri, Bareilly, Lord Distillery, Ghazipur, IGL Distillery, Gorakhpur and Sir Shadilal Distillery, Mansurpur, Muzaffarnagar.

the transport passes issued by the sugar factories. These were certified by the Inspectors at the distilleries. The distilleries received 849.051 quintal of TRS short from which 39226.42 AL of alcohol could have been produced. After bifurcating this in the same ratio as that of the total production of potable and industrial alcohol of these distilleries<sup>9</sup>, we found that 37072.65 AL of potable alcohol involving excise revenue of ₹ 1.56 crore as shown in **Appendix-VIII**, could have been produced.

We reported the matter to the Department and the Government between November 2010 and August 2011. The Government replied (September 2011) that the rectified spirit is an industrial alcohol and raw material for the production of Liquor for Human Consumption (LHC) and tax can be levied only on LHC. We do not agree with the reply as in our observation above, we had already taken this fact into consideration and pointed out the loss caused by low production with respect to the LHC alone.

### 3.12 Non-imposition of penalty

#### Eight Sugar Mills<sup>10</sup>

Rule 27 of Uttar Pradesh Sheera Niyamtran Niyamavali, 1974 provides for verification of MF-4 passes by the excise staff, (gate passes through which molasses is despatched by the sugar factories to distilleries). The distilleries should return the gate pass duly acknowledging the receipt of molasses, within one week of the arrival of the consignment at the distillery. The receipt back of MF-4 gate pass should be monitored by the Excise Department officials at the sugar factory to ensure that the molasses was received by the authorised distillery and the quantity and quality was as mentioned in the MF-4 gate pass. As per Section 11 of *UP Sheera Niyamtran Adhiniyam*, any contravention of the Rules attracts penalty which may extend to two thousand rupees and continuing contravention attracts an additional fine which may extend to one hundred rupees for every day during which the contravention continues.

We observed from the MF-4 gate passes during audit between May 2010 and March 2011 and noticed that 2544 MF-4 gate passes<sup>11</sup> were received back by these sugar mills from the distilleries with an average delay of eight weeks during period 2005-06 to 2010-11. The Departmental officers did not notice the delays in return of gate passes by the distilleries. This has resulted in non-imposition of penalty to the extent of ₹ 1.27 crore.

We reported the matter to the Department and the Government between November 2010 and August 2011. The Government replied (September 2011) that in one case compounding amount of ₹ 59,000 has been imposed against

<sup>9</sup> 629.43 AL and 1105.80 AL industrial alcohol production of IGL Distillery, Gorakhpur in 2009-10 and 2010-11 and 418.54 AL of industrial alcohol of Sir Shadilal Distillery, Mansurpur, Muzaffarnagar for 2010-11 excluded from calculation.

<sup>10</sup> Oswal Chini Mills Nawabganj, Bareilly, Newali Sugar Mills, Newali Etah, Indogulf Industries, Maizapur, Gonda, Sarraiya Chini Mills, Sardar Nagar, Gorakhpur, DSCL Sugar Mills, Rupapur, Hardoi, Chadha Sugar Mills J.P. Nagar, DSCL Sugar Mills, Azbapur, Lakhimpur Khiri and Kumbhi Sugar Mills, Kumbhi, Lakhimpur Khiri.

<sup>11</sup> The office-in-charge shall determine the quantity and quality of the molasses immediately on receipt of each consignment and record the result of the verification and test done by him on reverse of the gate pass in Form-4 received in duplicate from the occupier of the Sugar Factory along with the consignment.

the total prescribed penalty of ₹ 11.84 lakh. We are of the opinion that the provisions of Section-11 should be imposed rather than imposing only the compounding amount, which is merely five *per cent* of the total leviable penalty.

### 3.13 Short levy of licence fee on shops of foreign liquor

#### 11 District Excise Offices<sup>12</sup>

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 the bottles was to be calculated on the basis of actual sale of ten months i.e. from April to January and presumptive sale of February and March by 1/5 of April to January.

We observed that annual licence fee of 138 retail shops of foreign liquor was fixed on the basis of actual sale of bottles of ten months i.e. April 2008 to January 2009 and presumptive sale of February and March 2009 for the year

2009-10. Similarly for 2010-11, the licence fee was based on actual sale of April 2009 to January 2010 and presumptive sale of February and March 2010. The licence fee totaling to ₹ 2.75 crore and ₹ 2.68 crore was fixed respectively for the two years. The licence fee based on the number of bottles actually sold for both the years *i.e.* sale of February and March of the previous year and the actual sale of April to January of the current year worked out to ₹ 3.08 crore for 2009-10 and ₹ 2.97 crore for 2010-11. Thus the Government was deprived of revenue of ₹ 62.32 lakh (₹ 33.14 lakh + ₹ 29.18 lakh) by way of licence fee as shown in **Appendix-IX**.

**We recommend that in the interest of revenue the Government should fix the licence fee for the year based on the actual sale for the previous 12 months.**

We reported the matter to the Department and the Government between May 2010 and August 2011. The Government replied (September 2011) that after a study of all retail shops of IMFL, if revenue increases on the basis of actual sale, they would consider this in the next year's policy.

### 3.14 Loss of excise duty due to short lifting of minimum guaranteed quota of country liquor

#### Three District Excise Offices

As per the Excise Commissioner's Circular dated 9 March 2009, under the U.P. Excise (Settlement of licences for retail sale of country liquor Rules 2002), the licensee has to lift at least 80 *per cent* of the Minimum Guaranteed Quota (MGQ) in the month of March. If a licensee fails to do this, the licence fee will be adjusted from the security deposit of the licensee.

We observed from the records of three DEOs between February 2010 and March 2011, that during the year 2008-09 and 2009-10, 159 licensees lifted 43,480.89 BL country

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<sup>12</sup> DEOs: Bijnor, Etah, Farukhabad, Fatehpur, Firozabad, Ghaziabad, Hathras, Jalaun, Jhansi, Lakhimpur Khiri and Unnao.



liquor against the quota of 80,475.31 BL fixed for the month of March 2009 and March 2010. The differential amount of licence fee amounting to ₹ 39.13 lakh due to this short lifting had not been adjusted by the Department from the security deposit of the licensees. The details are as shown below:

(₹ in lakh)

Sl. No.	Name of office	No. of licences	Monthly MGQ (in BL)	80% of monthly MGQ (in BL)	Lifted MGQ in March 2009 and 2010 (in BL)	Short lifting (in BL)	Loss of Excise Duty
1.	DEO, Pratapgarh	62	34,903.49 March,2010	27,922.79	15,351.02	12,571.77	13.58
2.	DEO, Sitapur	80	41,444.02 March, 2009	33,155.22	12,496.40	20,658.82	21.49
3	DEO, Varanasi	17	24,246.60 March,2010	19,397.3	15,633.47	3,763.83	4.06
	<b>Total</b>	<b>159</b>	<b>1,00,594.11</b>	<b>80,475.31</b>	<b>43,480.89</b>	<b>36,994.42</b>	<b>39.13</b>

We reported the matter to the Department and the Government between April 2010 and August 2011. The Government in its reply (September 2011) agreed with our estimate of loss and stated that in 152 cases out of 159 cases an amount of ₹ 37.30 lakh has been recovered, and recovery of the balance amount is under process.

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

#### Four District Excise Offices

Under the provisions Rule 14 of the Uttar Pradesh Excise (Settlement of licences for the retail sale of country liquor), Rules, 2002, a licensee is liable to lift the entire Minimum Guaranteed Quota (MGQ) fixed for him during the year. In case of failure, the licensing authority has to adjust the outstanding balance amount of licence fee from the security deposit of the licensee and also issue a notice 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. In case the licensee fails to replenish the deficit in security amount by the tenth day of the next month, his licence shall stand cancelled.

We observed from the records of four DEOs (between September 2010 to March 2011) that 39 licensees lifted 5.05 lakh BL of country liquor against MGQ of 5.30 lakh BL during the period 2009-10. As the full quantity of MGQ of country liquor was not lifted during the year, the differential amount of licence fee of ₹ 27.24 lakh on the short lifted quantity of

25,217.42 BL of liquor was to be recovered from the licensees. The Department, however, did not initiate any action either to adjust the amount from the security deposit or to cancel the licence. This resulted in non-realisation of excise duty of ₹ 27.24 lakh as shown below:

(₹ in lakh)

Sl. No.	Name of Unit	No. of Licensees of country liquor	Annual MGQ (in BL)	Actual lifted quantity (MGQ) in BL	Difference (short lifted quantity) in BL	Payable excise duty
1.	DEO, Ghazipur	15	1,91,586.00	1,88,911.65	2,674.35	2.89
2.	DEO, Farrukhabad	05	1,32,898.00	1,19,105.00	13,793.00	14.90
3.	D.E.O Jhansi	8	92,849.00	88,608.50	4,240.50	4.58
4.	DEO, Varanasi	11	1,13,137.00	1,08,627.43	4509.57	4.87
	<b>Total</b>	<b>39</b>	<b>5,30,470</b>	<b>5,05,252.58</b>	<b>25,217.42</b>	<b>27.24</b>

We reported the matter to the Department and the Government between November 2010 and August 2011. The Government while accepting the observation stated (September 2011) that in 25 cases an amount of ₹ 4.52 lakh has been recovered. The recovery in the remaining cases is under process.

### 3.16 Non-payment of administrative charge due on issue of molasses

As per Government order dated 9 November 2005 and 13 December 2006, administrative charges for the years 2005-06 and 2006-07 were ₹ 11 and ₹ 15 per quintal on supply of molasses within the state and out of the state respectively.

We observed from the records of a sugar mill<sup>13</sup> that under the new promotion policy for sugar industry

2004-05, the mill was exempted from deposit of administrative charges on issue of molasses for five years commencing from 23 February 2007. The left over stock of 165466.40 quintal molasses produced up to 22 February 2007 was supplied within the state, but the mill did not deposit the administrative charges of ₹ 14.84 lakh<sup>14</sup>. Thus, the Government was deprived of revenue to that extent.

We reported the matter to the Government and Department between June 2010 and August 2011. The Government replied (September 2011) that the sale/supply of molasses was done after the date of exemption (23 February 2007) on which no administrative charge was leviable. We do not agree as molasses were leftover stock which were produced by the mills for sale/supply before the date of exemption and clearly attract the administrative charge.

### 3.17 Non-levy of interest on belated payment of excise revenue

#### Three District Excise Offices

Under Section 38(A) of the Uttar Pradesh State Excise Act, 1910 where any excise revenue is not paid within three months from the date on which it becomes payable, interest at the rate of 18 per cent per annum is recoverable from the date such excise revenue becomes payable.

We observed from the records of three DEOs that excise revenue of ₹ 15.37 lakh pertaining to the period 2001-02

<sup>13</sup> Akbarpur Sugar Mill (a unit of Balrampur Sugar Mill) Ambedkarnagar.

<sup>14</sup> ₹ 18.20 lakh minus ₹ 3.36 lakh paid = ₹ 14.84 lakh.

to 2003-04 was deposited late between April 2002 and August 2010, with delays ranging from 240 days to 3072 days in 17 cases. However, the Department did not levy interest amounting to ₹ 10.92 lakh on the belated payment as shown in the following table:

(₹ in lakh)

Sl. No.	Name of unit	No. of cases	Year of arrear	Period of interest calculation	Arrear amount	Delayed period (Days)	Interest leviable on belated payment
1.	DEO Etah	3	2002-03	01.04.03 to 04.04.09	1.75	475 to 2194	1.63
2.	DEO Lalitpr	1	2002-03	01.04.03 to 26.10.09	3.59	2399	4.25
3.	DEO Sant Ravi Das Nagar	9	2001-02	01.04.02 to 30.08.10	8.55	240 to 3072	4.33
		4	2003-04	01.04.03 to 15.02.07	1.48	636 to 1415	0.71
	<b>Total</b>	<b>17</b>			<b>15.37</b>	<b>240 to 3072</b>	<b>10.92</b>

We reported the matter to the Department and the Government between June 2010 and August 2011. The Government agreed with our observation and stated (September 2011) that an amount of ₹ 8,251 has been recovered and recovery in the remaining cases is under process.

### 3.18 Short levy of overtime fee

#### Three distilleries

We observed from the records of three distilleries<sup>15</sup> between February 2010 to January 2011 that due to revision of pay and grant of dearness allowances from time to time, the Department was required to raise a demand for the differential overtime amount of ₹ 10.45 lakh for the period from April 2007 to December 2010. No such demand was raised by the Department. As a result, the amount has not been paid by the concerned distilleries.

Under the provisions of the Uttar Pradesh Excise Act, 1910 and notification of March 2007 if excise staff stationed at a distillery are required to attend the distillery on any of the holidays or at night, the distillers shall be required to pay to the Government an amount, per hour or part thereof which shall not be less than 15 minutes, equal to four times of the average salary of the employees concerned. Such amount will be only twice the average salary of the employee concerned on overtime done during the day time on working days. The amount is to be deposited in the head "0039 State Excise-Other receipts."

<sup>15</sup> Sarraiya Distillery, Gorakhpur; Dalmia Distillery, Sitapur; Unnao Distillery and Brewery Ltd., Unnao.

We reported the matter to the Department and the Government between March 2010 and August 2011. The Government replied (September 2011) that an amount of ₹ 10.28 lakh has been recovered and efforts are going on to recover the balance amount.