

## CHAPTER-III

### STATE EXCISE

#### 3.1 Tax administration

The Principal Secretary (Excise and Taxation) is the administrative head at Government level. The Department is headed by the Excise and Taxation Commissioner (ETC). The Department has been divided in three Zones<sup>1</sup> which are headed by the Additional ETC (South Zone), Deputy ETC of North Zone and Central Zone. Besides, 22 Excise and Taxation Inspectors under the control of the Assistant Excise and Taxation Commissioners (AETCs) of the respective districts, are deputed to oversee and regulate levy/collection of excise duties and allied levies.

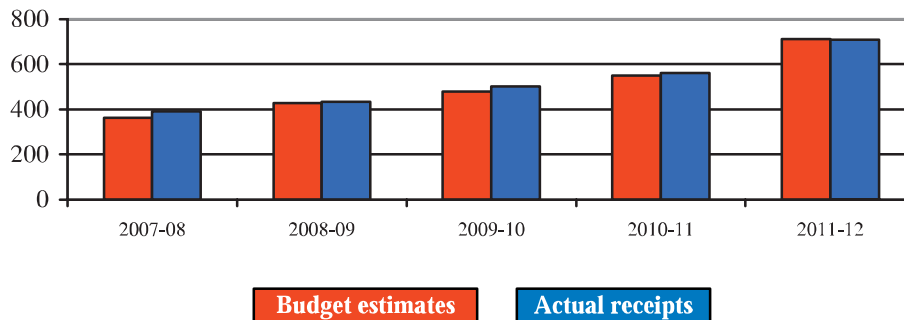
#### 3.2 Trend of receipts

Budget estimates and actual receipts from State Excise during the years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the following **Table 3.1** and **Graph-3.1**.

**Table – 3.1**  
**Trend of receipts**

Year	Budget estimates	Actual receipts	Variation excess (+)/shortfall (-)	Percentage of variation	₹ in crore	
					Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	362.69	389.57	26.88	7.41	1,958.18	20
2008-09	428.61	431.83	3.22	0.75	2,242.49	19
2009-10	480.07	500.26	20.19	4.21	2,574.52	19
2010-11	549.46	561.53	12.07	2.20	3,642.38	15
2011-12	709.74	707.36	(-) 2.38	(-) 0.34	4,107.92	17

**Graph-3.1**  
**Trend of receipts**



It would be seen from the above table that there was no major variation between the actual receipts and budget estimates prepared by the Department indicating therein that the budget estimates were prepared on a realistic basis.

<sup>1</sup> South Zone (Shimla, Solan, Sirmour, Kinnaur and Spiti area), North Zone (Chamba, Kangra and Una) and Central Zone (Bilaspur, Hamirpur, Kullu, Lahaul area and Mandi)

### 3.3 Cost of collection

The gross collection in respect of state excise revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2007-08 to 2011-12 along with the relevant all India average percentage of expenditure on collection to gross collection were as below in **Table – 3.2**.

**Table – 3.2**

Head of revenue	Year	Collection	Expenditure on collection	Percentage of expenditure to gross collection	₹ in crore)	
					All India average percentage of expenditure on collection for the preceding year	
State Excise	2007-08	389.57	4.05	1.04	3.30	
	2008-09	431.83	4.46	1.03	3.27	
	2009-10	500.26	5.06	1.01	3.66	
	2010-11	561.53	5.84	1.04	3.64	
	2011-12	707.36	2.58	0.36	3.05	

Source: Finance Accounts

The above table indicates that the percentage of expenditure on collection was always significantly lower than the all India average percentage during the period 2007-08 to 2011-12.

The Government may continue to monitor this practice of efficient tax collection.

### 3.4 Impact of audit

During the last five years (including the current year's report), audit has pointed out 17 cases of non/short recovery of license fee and interest on late payment of license fee, non-realisation of duty on excess wastage, low yield of spirit from molasses, short recovery of fixed fee etc., with revenue implication of ₹ 14.40 crore. The Department/Government had fully/partially accepted audit observations in nine cases involving ₹ 1.72 crore. The details are shown in the following **Table 3.3**.

**Table 3.3**

Year of Audit Report	₹ in lakh)					
	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2007-08	3	127.00	2	124.57	2	109.39
2008-09	3	1,065.00	3	29.13	3	21.62
2009-10	4	147.00	2	6.57	2	2.89
2010-11	4	78.79	1	4.40	1	3.45
2011-12	3	21.93	1	7.11	0	0
<b>Total</b>	<b>17</b>	<b>1,439.72</b>	<b>9</b>	<b>171.78</b>	<b>8</b>	<b>137.35</b>

The Department had so far recovered ₹ 1.37 crore in respect of accepted cases. This indicates that the Department had not been able to enforce recovery even in accepted cases.

The Government may consider introducing a mechanism for ensuring prompt recovery of revenue involved in accepted cases.

### 3.5 Results of audit

In 2011-12, test check of the records of eight units relating to excise duty, license fee receipts etc., revealed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 1.87 crore in 46 cases, which fall under the **Table 3.4** below.

**Table – 3.4**

Sr. No.	Categories	₹ in crore)	
		Number of cases	Amount
1.	Non/ short realisation of excise duty	10	1.00
2.	Non/ short realisation of license fee/ interest/ penalty	31	0.79
3.	Other irregularities	05	0.08
<b>Total</b>		<b>46</b>	<b>1.87</b>

During the course of the year, the Department accepted underassessment and other deficiencies of ₹ 57.63 lakh in 19 cases which were pointed out in earlier years. An amount of ₹ 12.19 lakh was recovered in 12 cases during the year 2011-12. A few illustrative cases involving ₹ 21.93 lakh are discussed in the following paragraphs.

### 3.6 Audit observations

Scrutiny of the records of the Excise and Taxation Department revealed several cases of non-observance of the provisions of the Acts/Rules resulting in non/short levy of excise duty, fees, interest etc. as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out in audit. Every year audit points out such omissions in audit on the part of Assessing Authorities (AAs). However, not only do the irregularities persist but also these remain undetected till an audit is conducted. There is need for the Government to improve the internal control system including strengthening of internal audit so that occurrence of such cases can be avoided.

### 3.7 Non-compliance of provisions of the Act/Rules

The Punjab Distillery Rules (PDR), 1932 as applicable to the state of Himachal Pradesh provide:

- (i) norms for manufacture of rectified spirit from molasses;
- (ii) levy of license fee, additional fee and interest at prescribed rates.

The AETCs did not observe some of the above provisions in the cases mentioned in paragraphs 3.8 to 3.10, which resulted in short/non-levy of additional fee/interest of ₹ 0.22 crore.

### 3.8 Non-levy of interest on belated payment of license fee

#### Three (AETCs)<sup>2</sup>

Rule 9.5 of the Punjab Distillery Rules, 1932 as also applicable in HP, stipulates that licensee shall pay quarterly license fee within seven days of the expiry of each quarter. In the event of failure to pay the fee by due date, interest at the rate of 12 *per cent* per annum upto one month and if the default in payment exceeds one month, interest at the rate of 18 *per cent* per annum for entire delay shall be payable. Similarly in case of auctioned vend, the interest at the rate of 10 *per cent* per annum upto one month and 18 *per cent* per annum thereafter in the case of late payment of license fee shall be levied in terms of para 4.5 (a) of Excise announcement for the year 2010-11.

Audit noticed between October and December 2011 from the license fee registers that five distilleries<sup>3</sup> in Baddi and Nahan districts deposited quarterly license fee of ₹ 98.36 lakh belatedly for the year 2010-11. Similarly, audit scrutiny of the M-2 register<sup>4</sup> of Bilaspur revealed that eight licensees had deposited license fee of ₹ 64.64 lakh belatedly. The delay ranged between 4 and 276 days. On these belated payments, interest amounting to ₹ 3.57 lakh was not levied/ demanded by the Department. Thus, non-raising of the demand of interest resulted in understatement of revenue to that extent.

Audit reported the matter to the Department and the Government between November 2011 and January 2012. The replies have not been received (December 2012).

### 3.9 Low yield of spirit from molasses

#### AETC Una

As per norms fixed under Rule 37 read with Rule 35 of the Punjab Distillery Rules 1932, as applicable to Himachal Pradesh, 0.373 quintal of molasses shall yield 15.391 proof litres of country spirit or one quintal of molasses will yield 41.26 proof litres of spirit.

Audit noticed in December 2011 from the molasses receipt and issue register and spirit issue register that a distillery<sup>5</sup> used 34,520 quintals of molasses for manufacture of rectified spirit (RS) during 2010-11. Against the yield of RS of 14,24,295 proof litres as per prescribed norms, the actual yield was shown as 13,11,760 proof litres. Thus, 1,12,535 proof litres of RS was short produced for which no reasons were on record. This resulted in presumptive loss of revenue of ₹ 11.25 lakh on short production of rectified spirit.

<sup>2</sup> Baddi (BBN): ₹ 2.07 lakh, Bilaspur: ₹ 0.47 lakh and Nahan: ₹ 1.03 lakh

<sup>3</sup> M/s Tiloksons Brewery, Manthapal Distillers, Yamuna Beverage Pvt. Ltd. Himalayan Gold Beverage and Sabaccus Distillery

<sup>4</sup> It contains total demand for a particular year against vends and recovery of monthly instalments thereof (like a demand and collection register).

<sup>5</sup> M/s Rangar Breweries Ltd., Mehatpur, Una

Audit reported the matter to the Department and the Government in July 2012; the Department stated that the norms of spirit produce from molasses as required under Rule 9.37 of the Punjab Distillery Rules, 1932 as applicable to the State of Himachal Pradesh and the matter would be taken up with the higher authorities. Further report of recovery and reply of the Government have not been received (December 2012).

### 3.10 Non-claiming of license fee

As per the condition 4.5(c) of Excise announcement 2010-11, if licensee fails to deposit the license fee plus interest upto the last day of the next month or the last instalment by 15<sup>th</sup> March, the AETC, ETC, in-charge of the district or any other officer authorised or directed would ordinarily seal vend on 1<sup>st</sup> day of the following month or 16<sup>th</sup> March as the case may be. This shall be in addition to the penalty provisions that may be brought into operation against the licensee under the Punjab Excise Act, 1914 and the rules framed thereunder. Further condition 4.3 also provides that in case licensee fails to lift the 80 *per cent* Minimum Guaranteed Quota (MGQ) by 15<sup>th</sup> of March he shall be liable to pay additional license fee at the rate of ₹ 20 per proof liter, besides license fee, for the un-lifted quota that falls short of 80 *per cent* of MGQ.

Audit noticed from the allotment of vends, M-2 registers and lifting of MGQ statement of AETC Bilaspur in October 2011 that unit 9-Jeoripattan had allotted with the MGQ of 16,732.615 pls of CL and IMFL against the total license fee of ₹ 21.83 lakh<sup>6</sup> to a licensee for the year 2010-11. On scrutiny, it was observed that the licensee had defaulted in payment of monthly instalments of license fee of CL and IMFL. The licensee had deposited ₹ 14.19 lakh against the total license fee of ₹ 21.83 lakh but the department did not initiate any action to seal vend and re-allot it to other licensee. The license fee of ₹ 7.64 lakh recoverable from the licensee had not been realised by the Department. As the licensee had not deposited the instalments of license fee on time, interest of ₹ 1.10 lakh was also levied by the AETC. Audit further noticed that the licensee had lifted CL 4201.56 pls and IMFL 6506.14 pls only against the MGQ of 16,732.615 pls which was less than the 80 *per cent* (13,386.092 pls). Thus, on this short lifting of the quota, the licensee had to pay an additional license fee of ₹ 53,568 which was not demanded by the Department. This resulted in non-realisation of the revenue of ₹ 7.11 lakh<sup>7</sup> after adjusting the security deposit.

Audit reported the matter to the Department and the Government in July 2012. The Department stated (September 2012) that process for recovery had been initiated as an arrear of land revenue. Further, report of recovery and reply of the Government have not been received (December 2012).

<sup>6</sup> MGQ of CL 10,102.50 Pls; license fee ₹ 11.42 lakh and IMFL 6,630.115 Pls; license fee ₹ 10.41 lakh

<sup>7</sup> Amount payable license fee of ₹ 7.64 lakh+ interest of ₹ 1.10 lakh+ additional license fee of ₹ 0.54 lakh - amount adjusted ₹ 2.17 lakh (Security deposited in shape of FDR)