

CHAPTER III

STATE EXCISE DUTY

3.1 Tax Administration

The Prohibition and Excise Department (P&E) is governed by the Andhra Pradesh Excise Act, 1968 (AP Excise Act), the Narcotic Drugs and Psychotropic Substances Act, 1985, the AP Prohibition Act, 1995 etc. The Principal Secretary to Government, Revenue Department is the controlling authority at Government level. The Commissioner, Prohibition and Excise is the head of the Department in all matters connected with administration of these Acts. He is assisted by Director of Enforcement for implementation of these Acts. The 13 districts of the State, each headed by a Deputy Commissioner (DC), are classified under 29 excise districts. Each of the excise districts is under the charge of a Prohibition and Excise Superintendent (P&ES) who is assisted by the Assistant Excise Superintendent and other staff. Prohibition and Excise Inspectors are in charge of excise stations and check posts, while DCs and Assistant Commissioners (AC) supervise the overall functioning of the offices of Prohibition and Excise Superintendents.

3.2 Internal Audit

Internal Audit is an important mechanism for ensuring proper and effective functioning of a system for detection and prevention of control weaknesses. The orders issued by the Government of Andhra Pradesh from time to time stipulate that it is the responsibility of the Accounts Branch of the head of the Department to conduct internal audit of the regional offices, district offices, unit offices etc., periodically (at least once in a year) and furnish reports to the Commissioner. As regards functioning of Internal Audit wing, Commissioner intimated (December 2016) that there was no Internal Audit wing in the Department.

3.3 Results of Audit

Test-check of records of 27 offices of Prohibition and Excise Department conducted during the year 2015-16 showed non-levy/short realisation of fees and other irregularities involving ₹ 1.29 crore in 38 cases, which broadly fell under the categories as given in Table 3.1.

Table 3.1: Results of Audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Non-L Levy of Additional Licence Fee	4	0.56
2.	Non-L Levy/short levy of permit room Licence Fee	5	0.34
3.	Non-L Levy/short levy of annual Licence Fee on retail liquor shops	3	0.21
4.	Non-L Levy/short levy of interest on belated payments of Licence Fee	12	0.09
5.	Short Levy of toddy rentals	9	0.08
6.	Other Irregularities	5	0.01
Total		38	1.29

During the year 2015-16, the Department accepted under-assessment and other deficiencies of ₹ 9.44 lakh in 10 cases, of which three cases involving ₹ 5.84 lakh were pointed out during the year 2015-16 and the rest in earlier years. An amount of ₹ 9.44 lakh was realised in these cases during the year 2015-16.

A few illustrative cases, involving ₹ 56.90 lakh, are discussed in the succeeding paragraphs.

3.4 Non-levy of Additional Licence Fee on non-contiguous additional enclosures

As per Section 28 of the AP Excise Act, read with Rule 10 of AP Excise (Grant of Licence of Selling by Bar and Conditions of Licence) Rules, 2005, any additional enclosure for consumption of liquor, which is not contiguous, shall attract additional licence fee at 10 *per cent* of the annual licence fee.

In terms of explanation given under Rule 10, the word 'enclosure' means 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.

During scrutiny of the records relating to bar licences, payment details etc. of the office of P&ES, Visakhapatnam, Audit observed (September 2015) that the P&ES did not levy 10 *per cent* additional licence fee amounting to ₹ 36.90 lakh for the year 2014-15 on nine restaurant and bars with non-contiguous consumption enclosures. These include cases where consumption areas were situated in different halls, different floors having separate access etc.

After Audit pointed out the cases, P&ES replied (September 2015) that the matter would be examined and a detailed reply would be submitted to Audit in due course.

The matter was referred to the Department in April 2016 and to the Government in July 2016; replies have not been received (December 2016).

3.5 Short levy of annual Licence Fee on retail liquor shops

As per Section 28 of the AP Excise Act, 1968 read with Rule 16 of the AP Excise (Grant of Licence of Selling by Shop and Conditions of Licence) Rules 2012, the annual licence fee for the shop licence shall be levied on the basis of population and at the rates notified⁶² by Government from time to time. The prescribed licence fee for population above 10,000 and up to 50,000 is ₹ 36.00 lakh per shop for the licence period 2014-15.

During scrutiny of shop policy and licence files of two offices⁶³ of P&ESs, Audit observed (September 2015 and March 2016) that in four retail liquor shops, licence fee was levied at ₹ 32.50 lakh, instead of ₹ 36.00 lakh for the year 2014-15 though the population of the village was above 10,000 as per Census 2011. This resulted in short levy of licence fee of ₹ 14.00 lakh from four shops for the licence period 2014-15.

After Audit pointed out these cases, P&ESs replied (September 2015 and March 2016) that the matter would be examined and a detailed reply furnished to Audit in due course.

The matter was referred to the Department in May 2016 and to the Government in July 2016; replies have not been received (December 2016).

3.6 Non-levy of permit room⁶⁴ Licence Fee

As per Section 28 of the AP Excise Act, 1968, read with Rule 25 of AP Excise (Grant of Licence of Selling by Shop and Conditions of Licence) Rules, 2012, the holder of licence for retail liquor shop, in places, whose population is 5,000 and above, shall be licensed to have a permit room. Further, as per Rule 26, the licence fee⁶⁵ for a permit room shall be ₹ two lakh for the licence period 2014-15 or part thereof and is payable in lumpsum.

During scrutiny of shop licence files of the office of P&ES, Narasaraopet, Audit observed (March 2016) that in three shops, the Department did not levy and collect permit room licence fee for the year 2014-15 although the population of the villages, in which these shops were situated, exceeded 5,000. This resulted in non-levy of permit room licence fee amounting to ₹ six lakh for the licence period 2014-15.

⁶² G.O.Ms.No.265, Revenue (Excise-II) Department, dated 22 June 2014.

⁶³ Guntur and Narasaraopet.

⁶⁴ Consumption area adjacent to liquor shop.

⁶⁵ G.O.Ms.No.357, Revenue (Excise-II) Department, dated 22 June 2013.

After Audit pointed out these cases, P&ES replied (March 2016) that the matter would be examined and reply submitted to Audit.

The matter was referred to the Department in May 2016 and to the Government in July 2016; replies have not been received (December 2016).