

CHAPTER-III
STATE EXCISE

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3.1.1 Tax administration

The Additional Chief Secretary to the Government of Haryana, Excise and Taxation Department is the administrative head at Government level and Excise and Taxation Commissioner (ETC) is head of the Department. He is assisted by the Collector (Excise) at headquarter and Deputy Excise and Taxation Commissioners (Excise) {DETCs (Excise)}, Assistant Excise and Taxation Officers (AETOs), Inspectors and other allied staff for proper administration of State Excise Acts/Rules in the field.

The excise revenue is mainly derived from the license fee for the grant of license of various vends, excise duties levied on spirit/beer removed from distilleries/breweries and on that import/export to and from any other States.

3.1.2 Results of audit

In 2014-15, test check of the records of 36 units relating to excise duty, license fee receipts etc. showed non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 70.39 crore in 660 cases, under the following categories in the Table 3.1.

Table 3.1

(₹ in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	Non/short deposit of license fee and loss of interest	494	63.15
2.	Non-realisation of differential amount of license fee on re-allotment of vends	4	2.23
3.	<ul style="list-style-type: none">• Non-recovery of penalty on illicit liquor• Non imposition of penalty	68 30	0.75 0.18
4.	Miscellaneous irregularities	64	4.08
	Total	660	70.39

During the year, the Department accepted underassessment and other deficiencies amounting to ₹ 27.12 crore in 251 cases, out of which ₹ 27.03 crore involved in 230 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 5.33 crore in 87 cases, out of which ₹ 5.25 crore involved in 66 cases relates to the year 2014-15 and the rest to earlier years.

Significant cases involving ₹ 20.44 crore are discussed in the following paragraphs:

Audit findings

3.2 Non/short recovery of license fee and interest

Forty one licensees failed to pay the monthly instalments of license fee due for the year 2013-14 by the prescribed dates and DETCs (Excise) did not initiate action to seal the vends resulting in non/short recovery/levy of license fee of ₹ 15.39 crore and interest of ₹ 4.58 crore.

Haryana Liquor License Rules, 1970 (HLL Rules), read with the State excise policy for the years 2012-13 and 2013-14 provide for payment of monthly instalment of license fee by the 20th of each month by the licensee/allottee holding license for retail outlets for vending Country Liquor (CL) and Indian Made Foreign Liquor (IMFL). The full amount of license fee of the vends/group of vends shall be deposited in twelve equated monthly instalments for the year 2013-14 starting from April 2013 to March 2014 failing which the licensee is liable to pay interest at the rate of one and half *per cent* per month for the period from the first day of the month to the date of payment of the instalment or any part thereof. If the licensee fails to deposit the monthly instalment in full along with interest by the end of the month, the licensed outlet shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the DETC (Excise) of the respective district.

3.2.1 Audit noticed (May and September 2014) from the M-2 registers¹ of payment of license fee for the year 2013-14 in five offices² of DETC (Excise) that 41 licensees had failed to pay the monthly instalments of license fee due for the year 2013-14 by the prescribed dates. The delay ranged between 396 to 730 days as of 31 March 2015. The licensee had paid only ₹ 95.89 crore against the payable amount of ₹ 111.28 crore. However, the DETCs (Excise) had not initiated any concrete action as per HLL Rules resulting in non/short recovery of licence fee of ₹ 15.39 crore besides interest of ₹ 2.59 crore.

DETCs (Excise) Sonipat and Kaithal replied (April 2015) that out of ₹ 8.52 crore (licence fee: ₹ 7.57 crore; interest: ₹ 94.90 lakh), an amount of ₹ 4.82 crore (licence fee: ₹ 4.48 crore; interest: ₹ 33.95 lakh) had been recovered/ adjusted in sixteen cases (between August 2014 and March 2015) and efforts would be made to recover the balance amount of ₹ 3.70 crore. DETCs (Excise) Bhiwani, Narnaul and Palwal stated (January and April 2015) that efforts would be made/notices had been issued to the defaulters to recover the outstanding licence fee of ₹ 7.82 crore besides interest of ₹ 1.64 crore. Further progress report on recovery is awaited (November 2015).

¹ M-2 register is defined as a register of licenses granted on fee determined by auction.

² Bhiwani, Kaithal, Narnaul, Palwal and Sonipat.

3.2.2 M-2 registers of payment of license fee in seven offices³ of DETC (Excise) for the years 2012-13 and 2013-14, also showed that 101 licensees had paid the monthly instalments of license fee amounting to ₹ 91.59 crore for the period between April 2012 and March 2014 after the prescribed due dates. The delay ranged between 21 and 151 days. The DETCs (Excise), however, did not initiate any action to seal/cease the vends and to levy interest for delayed payments of license fee. This resulted in non-levy of interest of ₹ 1.99 crore.

All the DETCs (Excise) admitted the facts and stated (March and April 2015) that an amount of interest of ₹ 25.07 lakh has been recovered/adjusted from security and efforts would be made to recover the balance amount of ₹ 1.74 crore. Further progress report on recovery is awaited (November 2015).

Similar cases were also pointed out in earlier reports for the years 2010-11 to 2013-14 and such mistakes are still being repeated but no recovery had been made till date.

The matter was reported to the Government in May 2015; reply has not been received (November 2015).

3.3 Non levy/recovery of penalty for illegal possession and trade of liquor

Non-observance of Rules 12 and 13 of the Haryana Imposition and Recovery Rules resulted in non levy of penalty of ₹ 4.69 lakh in 42 cases. Further, though the penalty of ₹ 42.32 lakh was levied in 108 cases by the department, the same was not recovered yet.

Under Section 61 (1) of the Punjab Excise Act, 1914, as applicable to the State of Haryana, penalty of not less than ₹ 50 and not more than ₹ 500 per bottle of 750 milliliters is leviable on the offender for possession of illicit liquor⁴. Further, Rules 12 and 13 of Haryana Imposition and Recovery of Penalty Rules, 2003, provides that if penalty is not paid within the stipulated period, the Collector or DETC (Excise) shall pass orders for confiscation of means of transport seized along with liquor and the means of transport shall be put to auction within 30 days from the date of order of confiscation.

Audit noticed (December 2013 to September 2014) at five offices⁵ of DETC (Excise) that for the years 2012-13 and 2013-14, the Department had detained 71,250 bottles of illicit IMFL/CL/Beer in 108 cases and confiscated 17 vehicles. The Department, after giving reasonable opportunity, decided 66 cases and imposed penalty of ₹ 42.32 lakh during 2012-13 and 2013-14. However, ₹ 4.69 lakh penalty for 42 cases was not levied. The defaulters did not pay the penalty resulting in non-recovery of penalty of ₹ 47.01 lakh (₹ 42.32 lakh + ₹ 4.69 lakh).

³ Faridabad, Jind, Karnal, Narnaul, Panchkula, Rewari and Sonipat.

⁴ Illicit liquor means liquor prepared clandestinely/unlawfully, without any quality control checks, and not suitable for human consumption due to higher alcoholic concentration than permissible.

⁵ Jagadhri, Jind, Karnal, Kaithal and Sonipat.

DETCs (Excise), Karnal, Jagadhri and Sonipat responded (April 2015) that out of ₹ 30.76 lakh, an amount of ₹ 26,000 had been recovered in 10 cases and efforts would be made to recover the outstanding amount of ₹ 30.50 lakh. DETCs (Excise), Jind and Kaithal stated (April 2015) that efforts would be made to recover the outstanding amount of ₹ 16.25 lakh. Further progress on recovery is awaited (November 2015).

The matter was reported to the Government in April 2015; reply has not been received (November 2015).