

***CHAPTER-III***  
***STATE EXCISE***



## CHAPTER III: STATE EXCISE

### 3.1 Tax administration

The Additional Chief Secretary to the Government of Haryana, Excise and Taxation Department, is the administrative head at Government level and the Excise and Taxation Commissioner (ETC) is head of the Department. The ETC is assisted by the Collector (Excise) at Headquarters 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.

Excise revenue is mainly derived from fee for grant of license of various vends, excise duties levied on spirit/beer produced in distilleries/breweries and on their import/export to and from any other States.

The allotment of Zone of vends is made by inviting e-tenders through a Departmental portal. The detailed procedure for e-tendering shall be finalised by the ETC which shall be displayed by uploading the same on the website of the Department.

### 3.2 Results of audit

In 2018-19, test check of the records of 25 out of 81 units of the State Excise Department highlighted non/short realisation of excise duty/license fee/interest/penalty and other irregularities involving ₹ 45.72 crore (0.92 per cent of collection of ₹ 4,966.21 crore for the year 2017-18) in 576 cases which fall under categories depicted in **Table 3.1**.

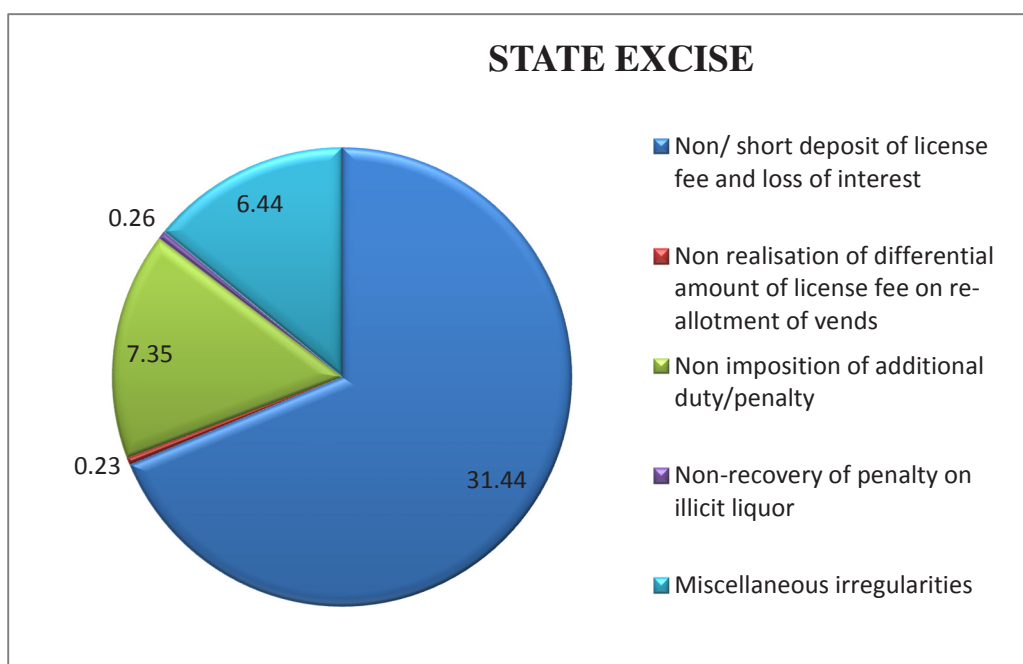
**Table 3.1 – Results of audit**

(₹ in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	Non/short deposit of license fee and loss of interest	118	31.44
2.	Non realisation of differential amount of license fee on re-allotment of vends	01	0.23
3.	Non imposition of additional duty/penalty	146	7.35

(₹ in crore)			
Sr. No.	Categories	Number of cases	Amount
4.	Non-recovery of penalty on illicit liquor	211	0.26
5.	Miscellaneous irregularities	100	6.44
	<b>Total</b>	<b>576</b>	<b>45.72</b>

Chart 3.1

(₹ in crore)



During the year, the Department accepted under assessment and other deficiencies amounting to ₹ 30.13 crore involved in 415 cases which were pointed out during the year. The department recovered ₹ 35 lakh involved in 19 cases out of which ₹ 15.78 lakh recovered in seven cases pertained to the year and rest to earlier years.

Some significant cases involving ₹ 8.23 crore are discussed in the following paragraphs.

### 3.3 Non levy of penalty for short lifting of quarterly quota of liquor

**Failure of the Deputy Excise and Taxation Commissioners (Excise) to levy penalty for short lifting of quota resulted in revenue loss of ₹ 5.04 crore.**

As per Para 3.3.1 of State Excise Policy for the years 2016-17 and 2017-18, a licensee is liable to lift the entire basic quota of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL) allotted to his vend as per the prescribed quarterly schedule failing which penal provisions are invoked. Non-lifting of prescribed quarterly quota attracts penalty at the rate of ₹ 65 and ₹ 20 per proof litre (PL) for IMFL and CL respectively for the deficient quantity. Further, in case of allotment of vends during the currency of financial year, the quarterly quota for the remaining quarters of the year shall be computed on proportionate basis from the quota allotted.

Scrutiny of records between August 2017 and February 2019 of five<sup>1</sup> DETC (Excise) offices for the year 2016-17 and 2017-18 showed that 80 retail outlets<sup>2</sup> did not lift the prescribed quarterly quota as detailed below:-

Details	IMFL in proof litres	CL in proof litres
Basic prescribed quota	15,56,124.10	75,37,609.10
Quota lifted	11,91,019.65	62,05,300.52
Short lifted	3,65,104.45	13,32,308.58
Rate of Penalty leviable	₹ 65	₹ 20
Amount of penalty	₹ 2,37,31,789	₹ 2,66,46,171.60

However, the DETCs (Excise) had not initiated action to levy penalty for short lifting of quota resulting in loss of revenue of ₹ 5.04 crore.

<sup>1</sup> Bhiwani, Gurugram (East), Gurugram (West), Karnal and Kurukshetra.

<sup>2</sup> Number of vends = 80.

	2016-17		2017-18	
	CL	IMFL	CL	IMFL
Basic prescribed quota	-	55,000	75,37,609.1	15,01,124.1
Quota Lifted	-	45,084.71	62,05,300.52	11,45,934.94

On this being pointed out, DETCs (Excise) Bhiwani and Kurukshetra stated (April 2019) that penalty of ₹ 10.78 lakh had been recovered/adjusted from the security of the licensee. All the DETCs stated (April 2019) that the efforts would be made to recover the outstanding amount of ₹ 4.93 crore.

The matter was reported to the Excise and Taxation Department between November 2017 and March 2019 and to the Government in June 2019; their replies were awaited.

**The Department may consider to maintain a separate report of short lifting of quarterly quota.**

### **3.4 Non levy of interest on delayed payment of license fee**

**There was loss of ₹ 3.19 crore due to non levy of interest on delayed payment of license fee of ₹ 153.36 crore by 58 licensees for the period April 2016 to March 2018.**

Para 6.4 of State Excise policy for the years 2016-17 and 2017-18 stipulates that every licensee holding a license for retail outlets of IMFL and CL vends shall make payment of monthly instalment (8.3 *per cent* of the bid money in 10 equal instalments) of license fee by 20 of each month. Failure to do so renders him liable to pay interest at the rate of 18 *per cent* per annum for the period from the first of the month in which the license fee was due, to the date of payment of the instalment or any part thereof. Further, as per para 6.5 of State Excise policy, if the licensee fails to deposit the monthly instalment in full along with interest by the end of the month, the licensed vends shall cease to be in operation on the first day of the following month and shall ordinarily be sealed by the DETCs (Excise) of the respective district.

Scrutiny of records (between August 2017 and February 2019) of seven<sup>3</sup> offices of DETC (Excise) for the years 2016-17 and 2017-18 revealed that 58 licencees had paid the monthly instalments of license fee amounting to ₹ 153.36 crore for the period between April 2016 and March 2018 with a delay ranging between 21 to 152 days. The DETCs (Excise) did not initiate any action to levy interest on belated payment of the license fee resulting in non levy of interest of ₹ 3.19 crore.

On this being pointed out, five DETCs<sup>4</sup> (Excise) stated (April 2019) that an amount of ₹ 6.30 lakh had been recovered and efforts would be made to recover the balance amount of ₹ 2.23 crore. Reply from DETCs (Excise) Ambala and Faridabad have not been received.

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<sup>3</sup> Ambala, Faridabad, Gurugram (West), Jhajjar, Karnal, Kurukshetra and Sonapat.  
<sup>4</sup> Gurugram (West), Jhajjar, Karnal, Kurukshetra and Sonapat.

The matter was reported to the Excise and Taxation Department between November 2017 and May 2019 and to the Government in June 2019; their replies were awaited.

**The Department may consider for in built mechanism of automated calculation of interest in late payment cases.**

**The instances of deficiencies pointed out by Audit are based on test checked cases. The Department may take appropriate action to review all similar cases.**

