

***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 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 administration of State Excise Acts/Rules in the field.

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

Section officer is posted at the district headquarter. His main function is to carry out the internal audit of income and expenditure of the department.

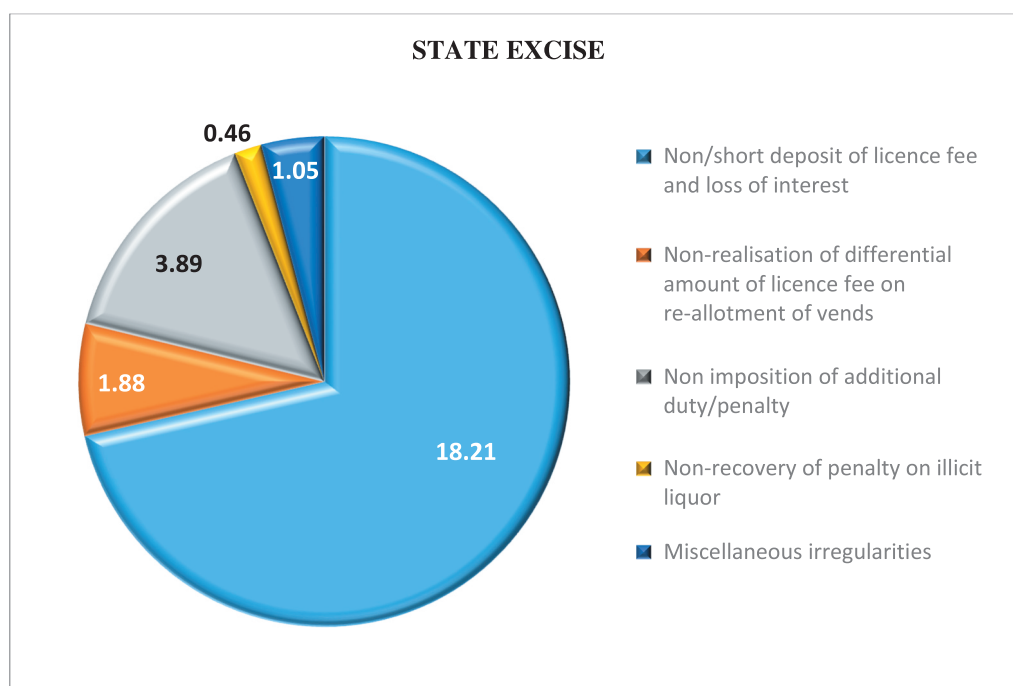
### 3.2 Results of audit

In 2017-18, test check of the records of 40 out of 76 units of State Excise Department revealed non/short realisation of excise duty/licence fee/interest/penalty and other irregularities involving ₹ 25.49 crore in 950 cases which fall under the following categories as tabulated in Table 3.1.

**Table 3.1 – Results of audit**

(₹in crore)			
Sr. No.	Categories	Number of cases	Amount
1.	Non/short deposit of licence fee and loss of interest	335	18.21
2.	Non-realisation of differential amount of licence fee on re-allotment of vends	02	1.88
3.	Non imposition of additional duty/penalty	458	3.89
4.	Non-recovery of penalty on illicit liquor	138	0.46
5.	Miscellaneous irregularities	17	1.05
	<b>Total</b>	<b>950</b>	<b>25.49</b>

Chart 3.1



During the year, the Department accepted under-assessment and other deficiencies amounting to ₹ 9.86 crore involved in 720 cases out of which ₹ 9.54 crore involved in 682 cases were pointed out during the year and the rest in earlier years. The Department recovered ₹ 32 lakh in 38 cases relating to earlier years.

Some significant cases involving ₹ 9.59 crore are discussed in the following paragraphs. The cases pointed out are based on the test check conducted by audit. The Department may initiate action to examine similar cases and take necessary corrective action.

### 3.3 Non/short recovery of interest

**There was loss of ₹ 3.95 crore due to non-levy of interest on delayed payment of licence fee of ₹ 149.19 crore by 195 licencees for the period April 2015 to January 2017.**

Para 6.4 of State Excise policy for the year 2015-16 and 2016-17 stipulates that every licencee holding a licence for retail outlets of Indian Made Foreign Liquor (IMFL) and Country Liquor (CL) vends shall make payment of monthly instalment of licence fee by 20<sup>th</sup> of each month. Failure to do so renders the licencee 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 licence fee was due, to the date of payment of the instalment. Further as per para 6.5 of State Excise policy, if the licencee fails to deposit the monthly instalment in full along with

interest by the end of the month, the licenced vends 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.

Scrutiny of the records of 11 offices<sup>1</sup> of DETC (Excise) for the year 2015-16 and 2016-17 revealed that in 195 vends licencees had paid monthly instalments of licence fee of ₹ 149.19 crore for the period April 2015 to January 2017 with delay ranging from 21 to 218 days. There are total 650 vends under these offices. Thus in 30 *per cent* of the vends there was delay in payment of licence fees. The DETCs (Excise) did not initiate action to levy interest on belated payment of the licence fee. This resulted in non levy of interest of ₹ 3.95 crore.

On this being pointed out, DETC (Excise) Jhajjar stated (May 2018) that ₹ 17.55 lakh had been recovered and recovery proceeding had been initiated for balance amount of ₹ 15.58 lakh. DETCs (Excise) Jagadhri and Bhiwani stated (between September 2017 and April 2018) that an amount ₹ 2.88 lakh had been recovered and efforts would be made to recover the balance amount of ₹ 10.58 lakh. Three DETCs (Excise)<sup>2</sup> stated (between August 2017 and April 2018) that efforts would be made/notices had been issued to recover the outstanding amount of ₹ 1.72 crore. Replies from remaining five DETCs<sup>3</sup> had not been received for the outstanding amount of ₹ 1.77 crore.

The matter was reported to the Government in May 2018. Reply was awaited despite issuance of reminders in July and November 2018.

### **3.4 Non levy/realisation of penalty for short lifting of quarterly quota of liquor**

#### **Failure of the DETCs (Excise) to levy penalty for short lifting of quota resulted in revenue loss of ₹ 2.71 crore.**

As per Para 3.3.1 of State Excise Policy for the year 2016-17, a licensee is liable to lift the basic quota of IMFL and 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.

<sup>1</sup> Bhiwani, Jagadhri, Jind, Jhajjar, Kaithal, Karnal, Narnaul, Nuh, Panipat, Rewari and Rohtak.

<sup>2</sup> Narnaul, Rewari and Rohtak.

<sup>3</sup> Jind, Kaithal, Karnal, Nuh and Panipat.

Scrutiny of the records of six offices<sup>4</sup> of DETC (Excise) for the year 2016-17 revealed that 294 retail outlets did not lift the prescribed quarterly quota as detailed below:

	IFML in proof litres	CL in proof litres
Basic prescribed quota	10,06,270	48,50,449
Quota lifted	8,19,508	41,01,938
Short lifted	1,86,762	7,48,511
Rate of Penalty leviable	₹ 65	₹ 20
Amount of penalty	₹ 1,21,39,530	₹ 1,49,70,220

However, the DETCs (Excise) had not initiated action to levy penalty for short lifting of quota resulting in non levy of penalty of ₹ 2.71 crore.

On this being pointed out, DETCs (Excise) Jind and Narnaul stated in April 2018 that an amount of ₹ 2.41 lakh had been recovered and efforts would be made to recover the balance amount of ₹ 52.59 lakh. Remaining four DETCs (Excise) stated in March and June 2018 that efforts would be made to recover the outstanding amount of ₹ 2.16 crore.

The matter was reported to the Government in May 2018. Reply was awaited despite issuance of reminders in July and November 2018.

### **3.5 Non-realisation of differential licence fee**

**The Department failed to initiate action to recover the differential amount of licence fee from the original allottees resulting in non-realisation of Government revenue of ₹ 1.88 crore.**

Para 6.5 and 2.19 of the State Excise policy for the year 2015-16 stipulates that in case an allottee fails to make payment of security deposit and defaults in payment of licence fee along with interest in any month, the licenced outlet shall cease to be in operation on the first day of the following month and the DETC (Excise) may re-allot it at the risk and cost of original allottee after seeking prior permission of the ETC.

Scrutiny of the records of DETCs (Excise) Kaithal and Rohtak for the year 2016-17 revealed that two retail outlets were auctioned in March and May 2016 for ₹ 6.24 crore. Out of the total bid amount of ₹ 6.24 crore, the

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<sup>4</sup> Gurugram, Jagadhri, Jind, Narnaul, Rewari and Rohtak.

allottees paid ₹ 1.68 crore (Security Deposit of ₹1.09 crore and Licence Fee of ₹ 0.59 crore) and failed to deposit the balance amount of ₹ 4.56 crore by due date. The Department cancelled their retail outlets in July 2016 and thereafter re-auctioned/re-allotted them in August and October 2016 for ₹ 2.68 crore for the remaining period at the risk and cost of original allottees. However, it failed to initiate action to recover the differential amount of ₹ 1.88 crore (₹ 4.56 crore – ₹ 2.68 crore) from the original allottees. This resulted in non-realisation of Government revenue of ₹ 1.88 crore.

On this being pointed out, DETC (Excise) Kaithal stated in August 2018 that an amount of ₹ 3.47 lakh has been recovered from the defaulter. DETC (Excise) Rohtak stated in November 2017 that efforts would be made to recover the outstanding amount of ₹ 1.27 crore from the defaulter.

The matter was reported to the Government in April 2018. The reply was awaited despite issuance of reminders in July and November 2018.

### **3.6 Non-recovery of penalty for illegal possession and trade of liquor**

**The Department had not initiated action to fully recover penalty of ₹ 73.84 lakh from the offenders for possession of illicit liquor either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after lapse of one to three years.**

Section 61 (1) (aaa) (c) (i) of the Punjab Excise Act, 1914, as applicable to the State of Haryana, provides that penalty of not less than ₹ 50 and not more than ₹ 500 per bottle of 750 milli-litres or part thereof is leviable on an offender for possession of illicit liquor<sup>5</sup>. Further, Section 59 of the Haryana Imposition and Recovery of Penalty Rules, 2003, provide that in case penalty is not paid within stipulated period, the Collector 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 order of confiscation.

Scrutiny of records of six offices<sup>6</sup> of DETC (Excise) for the years 2015-16 and 2016-17 revealed that the Department had detained 64,647 bottles of illicit liquor between April 2015 and March 2017 in 157 cases and confiscated 61 vehicles. The Department, after serving notice and examining the evidence produced by the offenders, imposed penalty of ₹ 74.89 lakh in 106 cases. In the remaining cases audit worked out penalty of ₹ 11.30 lakh in 51 cases at the minimum rate of ₹ 50. The total amount of penalty therefore worked out to

<sup>5</sup> Illicit liquor means liquor prepared unlawfully without any quality control checks, which is not suitable for human consumption due to higher alcoholic concentration than the permissible limit.

<sup>6</sup> Ambala, Faridabad, Jagadhri, Jind, Kaithal and Panchkula.

₹ 86.19 lakh. The Department recovered only ₹ 12.35 lakh and had not initiated action to recover the balance penalty of ₹ 73.84 lakh either by auctioning the confiscated vehicles or by recovery as arrears of land revenue even after lapse of one to three years.

On this being pointed out, all the DETCs (Excise) stated between August 2016 and April 2018 that notices would be issued to the concerned defaulters and recovery of ₹ 73.84 lakh would be made from the defaulters.

The matter was reported to the Government in April 2018. Reply was awaited despite issuance of reminders in July and November 2018.

### ***3.7 Loss of revenue due to irregular adjustments of participation fee against licence fee***

**Adjustment of participation fee against licence fee payable by vendors was allowed by the Department in contravention of State Excise Policy resulting in loss of revenue of ₹ 31.20 lakh to the Government.**

Para 2.15 of the State Excise Policy for the year 2015-16 stipulates that a bidder shall have to deposit a participation fee at the rate ₹ 10,000 for each liquor vend. The participation fee is non refundable and non adjustable.

Scrutiny of the records of DETCs (Excise) Faridabad and Sonapat for the year 2015-16 revealed that participation fee of ₹ 31.20 lakh was adjusted against the licence fee payable by 33 vendors which was against the provisions of the State Excise Policy. Failure to comply with the provisions of State Excise Policy by the Department resulted in loss of revenue of ₹ 31.20 lakh to the Government.

On this being pointed out, DETC (Excise) Sonapat stated in March 2017 that matter would be looked into and required action would be taken. Although DETC (Excise) Faridabad accepted the audit finding, action taken for recovery was not intimated to audit.

The matter was reported to the Government in April 2018. Reply was awaited despite issuance of reminders in July and November 2018.

**The Department needs to strengthen its internal audit mechanism to ensure that dues are properly collected.**

**The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.**