

Chapter-III
State Excise

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3.1 Tax administration

The Financial Commissioner Taxation and the Principal Secretary to the Government of Punjab is overall in-charge of the Excise and Taxation Department. The administration of the Punjab Excise Act 1914, is carried out by Additional Excise and Taxation Commissioner at Patiala and six Deputy Excise and Taxation Commissioners (DETCs) at Amritsar, Faridkot, Ferozepur, Jalandhar, Ludhiana and Patiala. Twenty six Assistant Excise and Taxation Commissioners (AETCs), assisted by Excise and Taxation Officers (ETOs) and other allied staff monitor the work at the district level.

3.2 Results of audit

There were 69 auditable units in the Department consisting of 26 district offices of AETCs and 43 distilleries/breweries and other units. Out of these, audit selected 58¹ units for test check during the year 2019-20. Audit of 56² units was conducted during 2019-20 and 02 units could not be audited due to Covid-19 pandemic. There were 783 groups under the district offices for which records relating to receipt of license fee were maintained. Test check of records showed irregularities of ₹ 33.90 crore in 1,731 cases (0.67 per cent of ₹ 5,072.40 crore of receipt under State Excise for the year 2018-19) as detailed in **Table 3.1** below:

Table 3.1: Results of audit

(₹ in crore)

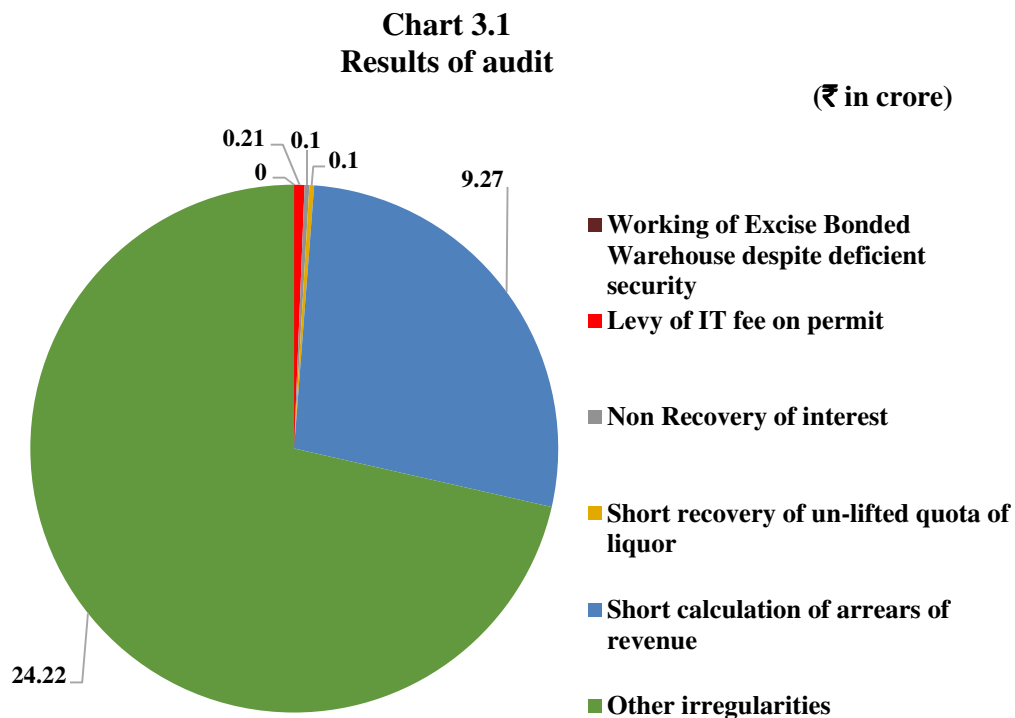
Sl. No.	Categories	No. of cases	Amount
1.	Working of Excise Bonded Warehouse despite deficient security	5	0
2.	Levy of IT fee on permit	38	0.21
3.	Non-recovery of interest	81	0.10
4.	Short recovery of un-lifted quota of liquor	8	0.10
5.	Short calculation of arrears of revenue	34	9.27
6.	Other irregularities	1,565	24.22
Total		1,731	33.90

Source: Data prepared by office

¹ 26 district offices and 32 others units

² 26 district offices and 30 others units

Category-wise audit findings noticed under State Excise are depicted in Chart 3.1.



Source: Data prepared by office

In 2019-20, the Department accepted and recovered ₹ 1.97 crore in 13 cases pertained to previous years.

An illustrative audit observation having a financial implication of ₹ 3.49 crore in 22 cases is discussed in the following Paragraph 3.3.

3.3 Short declaration of excise arrear

Assistant Excise and Taxation Commissioners Faridkot and Pathankot did not pursue recovery of ₹ 3.49 crore from licensees of 22 retail vends on account of non-payment of assessed fee and extra license fee on un-lifted quota of Beer and Indian Made Foreign Liquor respectively and consequently short declared arrear of revenue by ₹ 3.49 crore.

The Punjab Liquor License (Amendment) Rules 2016 (PLLR) provided for levy of excise duty on liquor³ in the form of fixed license fee and other levies viz. special license fee, additional license fee, extra license fee and assessed fee. Fixed license fee was payable at the level of retail licensee⁴ whereas other levies i.e., special license fee, additional license fee, extra license fee and assessed fee were payable at the level of wholesale licensee. However, Rule 25(3) of the

³ Punjab Medium Liquor (PML), Indian Made Foreign Liquor (IMFL), Imported Foreign Liquor (IFL) and Beer.

⁴ Wholesale licensee consisted of License L-1 for IMFL, IFL and Beer including Bottled in Origin (BIO) brands and License L-13 for PML. Retail licensee consisted of License L-2 for IMFL, IFL and Beer and L-14A for PML.

PLLR provided that in case of non-lifting of quota of liquor from wholesale licensee, the retail licensee was liable to pay all excise levies on un-lifted quota of liquor.

Audit scrutiny (January and March 2020) of the records of two⁵ Assistant Excise and Taxation Commissioners (AETCs) revealed that annual quota of Indian Made Foreign Liquor (IMFL) and Beer for the year 2016-17 was allocated as 18,96,410 proof litre⁶ and 16,96,483 bulk litre⁷ respectively. Out of total annual quota, 6,24,634.08 proof litre IMFL and 5,07,209.30 bulk litre beer was not lifted by licensees of 22⁸ out of 46⁹ retail vends and the licensees did not pay fixed license fee and other levies (special license fee, additional license fee, extra license fee and assessed fee) on quota of liquor not lifted. The Department pursued recovery of fixed license fee, special license fee and additional license fee and declared ₹ 26.03 crore¹⁰ as arrears recoverable from licensees of these 22 vends. However, audit observed that the Department did not include extra license fee of ₹ 2.37 crore for IMFL and assessed fee of ₹ 1.12 crore for beer in arrears which were payable by the licensees of 22 vends at prescribed rates¹¹ on un-lifted quota of liquor under Rule 25(3), *ibid*. The omission resulted in short declaration of excise arrear by ₹ 3.49 crore.

On this being pointed out, the Department declared ₹ 3.49 crore as arrear of revenue (September 2020 and November 2020).

The matter was reported to the Government and Department (March 2021). The AETC Faridkot intimated that an amount of ₹ 0.15 crore has been recovered and correspondence is being made with licensees for recovery of remaining amount (May 2021). Reply of the Government was awaited (May 2021).

The Department may ensure that omissions as pointed out in this para do not recur.

⁵ Faridkot and Pathankot

⁶ One case containing nine litres of 75-degree strength IMFL (12 bottles of 750 ml each) is equal to 6.75 Proof Litre of alcohol.

⁷ One Bulk Litre = One litre

⁸ Faridkot – 16, Pathankot – 6

⁹ Faridkot- 24, Pathankot- 22

¹⁰ Faridkot – ₹ 4.78 crore, Pathankot – ₹ 21.25 crore

¹¹ Assessed Fee ₹ 22 per BL for Beer and Extra License Fee ₹ 38 per PL for IMFL