

## CHAPTER-III: STATE EXCISE

### 3.1 Results of audit

Test check of records relating to State Excise, conducted in audit during the year 2004-2005, revealed non realisation of license fee/excise duty and other irregularities involving revenue amounting to Rs. 4.76 crore in 37 cases, which broadly fall under the following categories:-

(Rupees in crore)			
		Number of cases	Amount
1.	Non-realisation of license fee	9	2.12
2.	Non/short realisation of excise duty/ interest	9	0.29
3.	Other irregularities	19	2.35
	<b>Total</b>	<b>37</b>	<b>4.76</b>

During 2004-05, the Department accepted under assessments of Rs. 3.26 crore involved in 13 cases which had been pointed out in audit in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 1.26 crore are given in the following paragraphs.

### 3.2 Non raising of demand of interest

The excise auction announcements for the year 2003-2004, provide for payment of license fee in 10 equal instalments by the licensee holding license for vending country made liquor or Indian made foreign liquor. The licensee is required to pay the instalments by the 25<sup>th</sup> of each month. Failure to do so, renders him liable to pay interest at the rate of 12 *per cent* per annum for a delay of upto one month from the date of default on the unpaid amount and at the rate of 18 *per cent* per annum thereafter till the default continues.

During audit of Assistant Excise and Taxation Commissioners (AETCs), Hamirpur and Mandi, it was noticed from Interest Receipt Register that three licensees failed to pay monthly instalments of license fee in time during 2003-04. Though the assessing authority had worked out the amount of interest in the registers, no demand was raised. As a result, the Department failed to recover interest of Rs. 30.60 lakh<sup>§</sup> even after the close of financial year.

After this was pointed out in audit, the Department accepted the audit observations and intimated in May 2005 that out of Rs. 30.60 lakh, a sum of Rs. 15.80 lakh had been recovered and efforts were being made to recover the

\* Hamirpur:1 and Mandi: 2

§ Hamirpur: (Rs.16.89 lakh: 1 assessee), Mandi: (Rs.13.71 lakh: 2 assesseees)

balance amount. Further report of recovery had not been received (September 2005).

The matter was reported to the Government in August 2004; reply had not been received (September 2005).

### **3.3 Non recovery of fee in respect of D-2A license**

Rule 5AA read with rule 5 of the Punjab Distillery Rules, 1932, as applicable to Himachal Pradesh, provide that license fee for a license in form D-2A \* shall be payable on production of country liquor at the rate of Rs. 0.70 paise per unit of 750 mls, subject to a minimum of Rs. 75,000 per annum, recoverable at the time of grant/renewal of license.

During audit of AETC, Solan, it was noticed in July 2004 that three firms having D-2A license, produced 138.92 lakh quarts during 2003-04 and therefore were liable to pay license fee of Rs. 97.25 lakh. Against this, the licensees paid only Rs. 2.25 lakh as renewal fee, resulting in short realisation of Rs. 95 lakh.

After this was pointed out, the Department stated in May 2005 that only Rs. 0.75 lakh was chargeable from D-2A licensee. The contention of the Department is not tenable as Rs. 0.75 lakh is the minimum license fee recoverable as per rule 5AA.

The matter was reported to the Government in July 2004; reply had not been received (September 2005).

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\* Bottling Plant of Country liquor