

CHAPTER-III: STATE EXCISE

3.1 Results of audit

Test check of records relating to state excise conducted during the year 2005-06, revealed non realisation of license fee/excise duty and other irregularities involving revenue amounting to Rs. 3.03 crore in 38 cases, which broadly fall under the following categories:

(Rupees in crore)

Sr. No.	Particulars	Number of cases	Amount
1.	Non realisation of license fee	7	1.07
2.	Non/short realisation of excise duty/ interest	23	1.08
3.	Other irregularities	8	0.88
	Total	38	3.03

During 2005-06, the department accepted under assessments of Rs.0.48 crore involved in 14 cases which had been pointed out in audit in earlier years.

A few illustrative cases highlighting important observations involving financial effect of Rs.0.12 crore are given in the following paragraphs.

3.2 Non recovery of license fee and interest

Himachal Pradesh excise auction announcements for the year 2004-2005, 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 (IMFL). The licensee is required to pay the instalments by last day of each month. Failure to do so, renders him liable to pay interest at the prescribed rates.

During audit of five* Assistant Excise and Taxation Commissioner (AETCs) it was noticed from interest receipt register that five licensees did not pay monthly instalments of license fee amounting to Rs.36.32 lakh during 2004-05. The department failed to recover the amount and levy of interest of Rs.3.65 lakh on the unpaid amount. As a result, Government dues of Rs.39.97 lakh remained unrecovered.

After this was pointed out between November 2005 and January 2006, the department stated between November 2005 and September 2006 that in four cases an amount of Rs.30.53 lakh including interest of Rs.2.49 lakh had been recovered. Report of recovery of remaining amount and levy of interest were awaited (September 2006).

The matter was reported to the department and Government between October 2005 and February 2006; their reply had not been received (September 2006).

3.3 Non realisation of duty on excess wastage

The Punjab Distillery Rules (PDR), 1932, as applicable to Himachal Pradesh provide for prescribing of scale of wastage of spirit allowable in the maturation room of a distillery. Notification dated 20 September 1965 issued under PDR, prescribed norms for wastage in the spirit maturation warehouse/warehouses during the period of storage.

During test check of records of Kasauli distillery in Solan district, it was noticed between August and September 2005, that against admissible maturation wastage of 18,490.3 proof litres of spirit, actual wastage allowed was 30,681.3 proof litres. This resulted in excess wastage of 12,191 proof litres of spirit during 2004-05, on which excise duty of Rs. 3.29 lakh was payable by the licensee. The department, neither raised the demand nor was it paid by the licensee resulting in non realisation of Government revenue to that extent.

After this was pointed out, the department stated in January 2006 that the distillery had been directed to deposit the amount. However, it filed an appeal with the Excise and Taxation Commissioner against the demand raised. Further development was awaited (September 2006).

* Bilaspur: Rs.13.15 lakh, Mandi: Rs.4.65 lakh, Kangra: Rs.4.95 lakh, Solan: Rs.8.32 lakh and Una: Rs.8.90 lakh

The matter was reported to Government in October 2005, their reply had not been received (September 2006).

3.4. Non recovery of excise duty at enhanced rate

Excise auction announcements for the year 2004-05 provide for levy of excise duty on various kinds of liquor and intoxicants at the prescribed rates. Rates of excise duty fixed in 2003-04 as Rs. 23 and Rs. 31 per proof litre in respect of cheap/regular, premium and superior brands of Indian made foreign spirit (IMFS) with strength of 25⁰ under proof were enhanced to Rs.27 and Rs. 35 per proof litre respectively during 2004-05.

During audit of records of AETC, Solan it was noticed between August and September 2005 that four licensees sold 1.30 lakh proof litres of IMFS during 2004-05 at pre revised rates instead of revised rates. This resulted in non recovery of excise duty of Rs.5.19 lakh.

After this was pointed out, the Excise and Taxation Commissioner, Shimla stated in January 2006 that Rs. 1.56 lakh had been recovered and concerned taxation authority was being directed to expedite recovery of remaining amount. Further report was awaited (September 2006).

The matter was reported to the department and Government in October 2005; their replies had not been received (September 2006).