

CHAPTER 3: STATE EXCISE

3.1. Results of audit

Test check of records relating to State Excise, conducted in audit during the year 2001-2002, revealed non-levy of import fee/ excise duty and other irregularities involving revenue amounting to Rs.4.55 crore in 48 cases which broadly fall under the following categories:-

(Rupees in crore)

	Number of cases	Amount
1. Non-levy of import fee	7	3.42
2 Non-levy of excise duty	11	0.57
3. Other irregularities	30	0.56
Total	48	4.55

During 2001-2002, the department accepted under-assessments etc., of Rs.20.29 lakh involved in 13 cases, of which one case involving Rs. 2.55 lakh had been pointed out in audit during the year and the rest in earlier years. A few illustrative cases highlighting important observations involving financial effect of Rs. 0.65 crore are given in the following paragraphs.

3.2. Non realisation of duty on excess wastage

The Excise and Taxation Commissioner, Himachal Pradesh vide notification dated 20 September 1965 prescribed the norms of wastage allowance in the mature spirit warehouse/warehouses during the period of storage in Kasauli distillery/Spirit bottling section at Solan brewery.

During test check of records of Solan district, it was noticed that against admissible maturation wastage of 11,564.200 proof litres of spirit, the actual wastage was 17,329.700 proof litres. This resulted in excess wastage of 5,765.500 proof litres of spirit during 1998-99 and 2000-2001, in Kasauli Distillery on which excise duty of Rs. 1.64 lakh was not realised from the licensee .

On this being pointed out in audit, the Assistant Excise and Taxation Commissioner, Solan district stated (January 2002) that the cases of excess wastage had been submitted to the Collector, Excise (South Zone) (May and October 2001) for issue of notice to the distillery. Further report has not been received (August 2002).

3.3. Non realization of assessed fee at enhanced rate

Annual Excise Auction Announcements provide for the levy of assessed fee at the prescribed rates on the sale of liquor to the serving troops and ex-servicemen by the Canteen Stores Department. The licences for running excise vends are granted on annual basis. Therefore, the opening stocks of liquor held at the beginning of a year by any licensee were liable to the assessed fee at the differential rates whenever there was an increase in the rate of assessed fee. The rates of assessed fee of Rs. 22.50 per bulk litre on IMFS and of Rs. 0.25 per bulk litre on beer for the year 1998-99 were enhanced to Rs.25 per bulk litre and Rs. 3 per bulk litre for 1999-2000 and thereafter to Rs.35 per bulk litre and Rs. 4.50 per bottle for 2000-2001 respectively.

During test check of records of three district Excise offices (Hamirpur, Kangra and Kullu), it was noticed that 37,255.50 bulk litres of IMFS and 520 bottles of beer were held as opening stocks for the years 1999-2000 and 2000-2001 by the Canteen Stores Department but the assessed fee of Rs. 3.10 lakh at the differential rates was not recovered.

On this being pointed out (December 2001) in audit, the Assistant Excise and Taxation Commissioners, Hamirpur and Kangra stated (February and May 2002) that an amount of Rs. 1.40 lakh had been recovered. Reply in respect of Kullu district had not been received (August 2002).

3.4. Non/ short levy of interest

Condition No. 21 of the Annual Excise Auction Announcements envisages that in the event of failure to pay an instalment of licence fee or part thereof by the due date (25th of the month in case of monthly instalment), the licensee shall pay interest at the rate of 18 *per cent* per annum for a period of one month or part thereof from the date of default and at the rate of 24 *per cent* per annum thereafter till the default continues. Besides, the payment of licence fee is also linked to the release of advance monthly quota of country liquor, which shall in no case be released without payment of license fee for the corresponding month.

During test check of records of 6 district offices (Kangra, Kinnaur, Kullu, Mandi, Sirmour and Una) it was noticed that interest amounting to Rs.8.65 lakh on belated payments of instalments of licence fee by the licensees for the period of delay ranging between 2 and 441 days, was either short realised or not realised. In respect of Una district, it was further noticed that advance monthly quota of country liquor was released during the months of April 2000 to January 2001 without payment of monthly licence fee at the rate of Rs. 9.72 lakh for the corresponding months on the dates of release of advance quota. Interest of Rs.1.94 lakh due on such belated payments of licence fee was also not levied.

On this being pointed out in audit, the Excise and Taxation Officer, Kangra and Kinnaur stated (July 2001) that an amount of Rs. 0.55 lakh had been

recovered. Report of recovery in respect of balance amount had not been received (August 2002).

3.5. Short realisation of additional licence fee

Annual Excise Auction Announcements for the years 1998-99, 1999-2000 and 2000-2001 provided for the levy of additional licence fee at the rate of Rs.2 per quart bottle of Country liquor and IMFS sold by any retail excise licensee. (L2 and L 14 vends)

Test check of records of five district Excise offices* revealed that (June and December 2001) additional licence fee amounting to Rs. 5.56 lakh pertaining to the period between 1999-2000 and 2000-2001 recoverable from 8 licensees, was short realised.

The matter was reported to department (June and December 2001) and to Government (June 2002); their replies have not been received (August 2002).

3.6. Non invoking of provisions of bonds

The Punjab Liquor Permit and Pass Rules, 1932, as applicable to the State of Himachal Pradesh, lays down that no permit shall be granted for despatch of any consignment of liquor /beer without payment of duty unless the manufacturer/manager has executed a bond in form L-37, binding himself in respect of the consignment to be despatched to produce within reasonable time a certificate in form L-38 showing the quantity of liquor received at the destination and to pay such duty as may be demanded from him.

During test check of records of the Excise offices of Sirmaur, Solan and Una districts, it was noticed (August to November 2001) that the manufacturers of three distilleries were allowed to despatch consignments of 12,150 proof litres of IMFS and 4,70,225.160 bulk litres of beer between 1998-99 and 2000-2001 under bonds executed in form L-37 without payment of duty of Rs. 43.98 lakh. The department neither demanded the production of certificates in form L-38 ensuring that the consignments had reached the destination nor invoked the provisions of bonds for recovery of duty of Rs. 43.98 lakh from the consignors even after a lapse of 7 to 42 months.

On this being pointed out in audit, the department stated (October 2001) that the cases had been submitted to the Collector for issuance of notices to the licensees of Solan district and that the matter was under action in respect of Una district. Further report and reply relating to Sirmour district had not been received (August 2002).

The matter was reported to Government in June 2002; their replies have not been received (August 2002).

* Kangra, Kullu, Mandi, Solan and Una.