

## Chapter 4: State Excise Duties

### 4.1. Results of Audit

Test-check of records relating to State Excise Duties, conducted in audit during the year 2001-2002, disclosed irregularities amounting to Rs.10.05 crore in 121 cases which broadly fall under the following categories:

(in crore of rupees)			
Sr. No.	Category	Number of cases	Amount
1	Loss of excise duty due to sub-normal yield of spirit from molasses	4	5.78
2	Irregular reduction/non levy/short levy of late fee	100	0.77
3	Other irregularities	17	3.50
	<b>Total</b>	<b>121</b>	<b>10.05</b>

During the year 2001-2002, the department accepted audit observations of Rs.1.53 crore in 14 cases. Of these cases, the department recovered Rs.0.03 crore in 8 cases relating to earlier years.

A few illustrative cases highlighting important irregularities involving financial effect of Rs.8.87 crore are given in the following paragraphs.

## 4.2. Minimum acceptable licence fee not protected

Under Rule 36 of Punjab Liquor Licence Rules, 1956, as amended vide notification dated 31 March 1999, the PML (L-14A) vends may be licensed on the basis of minimum annual licence fee not below the incidence of Rs.75 per bottle of 50 degree under proof. Further, L-2 vend 'if any' is auctioned in-group with L-14-A vend, the Collector may determine the annual licence fee by taking into consideration the licence fee of the vend or vends put to auction in the previous years.

Test-check of records revealed that the minimum acceptable licence fee was not fixed in two districts in accordance with the provisions of the Excise Policy resulted in loss of revenue of Rs.3.09 crore as detailed below:

District	Year	Quota of PML (in proof litres)	Number of bottles	Minimum licence fee at the rate of Rs.75 per bottle	Proportionate licence fee from L-2 vends	Total minimum licence fee	Licence fee at which allotted	Loss of revenue
				( Rupees in crore )				
Bathinda	1999-2000	25,74,371	68,64,990	51.49	2.26*	53.75	51.51	2.24
Muksar	2000-2001	13,58,361	36,22,296	27.17	1.12**	28.29	27.44	0.85
							<b>Total</b>	<b>3.09</b>

The matter was brought to the notice of the department and Government (December 2001). This was followed up with reminder to the Financial Commissioner (Taxation) and Secretary to Government, Punjab in February and June 2002. In spite of such efforts, no reply was received (October 2002)

\* Licence fee of 46 L-2 vends calculated on *pro rata* basis keeping in view the licence fee of Rs.1.47 crore realised from 30 L-2 vends during 1995-96 in Bathinda.

\*\* Licence fee of 28 L-2 vends calculated on *pro rata* basis keeping in view the licence fee of Rs.0.72 crore realised from 18 L-2 vends during 1995-96 in Muktsar

### 4.3. Sub-normal yield of spirit from molasses

The Punjab Distillery Rules, 1932 (Rules), envisage that one quintal of molasses should yield 36.61 proof litres of spirit. The Public Accounts Committee (PAC) while discussing paragraph 4.2 of the Audit Report (Revenue Receipts) of the Comptroller and Auditor General of India for the year ended 31 March 1996 observed (November 1999) that the department may frame rules to regulate the yield of spirit from molasses as improved technology is used in sugar industry, so that the distilleries are not unduly benefited.

During test-check of records of four<sup>\*\*\*</sup> distilleries in Amritsar, Kapurthala and Patiala district, it was noticed that during the year 2000-2001, 480.26 lakh proof litres of spirit was produced from 14.17 lakh quintals of molasses as against the envisaged yield of 518.80 lakh proof litres of spirit. Had the norms for yield of spirit been achieved, the Government would have earned excise duty of Rs.5.78 crore on additional yield of 38.54 lakh proof litres of spirit.

On this being pointed out in audit (between August 2001 and February 2002), Excise and Taxation Officer (ETO) stated (January 2002) that with the advancement of technology, the recovery of sugar from sugarcane had increased and sugar content in molasses had reduced to minimum. The Reply was not tenable as despite the recommendation (November 1999) of the PAC, the relevant rule for prescription of norms has not been amended so far. The ETOs (incharge) Khasa, Banur and Hamira distilleries stated (between August 2001 and February 2002) that reply would follow.

The matter was brought to the notice of the department and referred to the Government (May 2002). This was followed by reminder to the Financial Commissioner (Taxation) and Secretary to Government, Punjab in May 2002. Despite such efforts, no reply was received (October 2002).

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\*\*\* M/s Patiala Distilleries and Manufacturers Ltd village Main (Patiala), M/s Chandigarh Distilleries and Bottlers Ltd. Banur (Patiala), M/s Khasa Distillery, Amritsar and M/s Jagatjit Industries Ltd., Hamira.