

**CHAPTER-III
STATE EXCISE RECEIPTS AND TAXES ON VEHICLES,
GOODS AND PASSENGERS**

3.1 Results of audit

Test check of the records of the concerned departmental offices conducted during the year 2006-07, revealed non/short levy of duties, fees, taxes, underassessment of road tax, goods tax and other irregularities amounting to Rs. 74.69 crore in 365 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Categories	Number of cases	Amount
State Excise			
1.	Less recovery of alcohol from molasses	25	36.49
2.	Excess transit/storage wastage	6	1.08
3.	Irrational fixation of MGQ	4	0.68
4.	Loss of excise duty due to non-lifting of MGQ of country liquor	11	0.32
5.	Non-realisation of licence fee	16	0.26
6.	Non-levy of interest	5	0.10
7.	Other irregularities	55	21.75
	Total	122	60.68
Taxes on vehicles, goods and passengers			
1.	Non/short levy of passenger/additional tax	96	6.60
2.	Underassessment of road tax	17	0.90
3.	Incorrect computation of lump sum passenger tax	14	0.71
4.	Short levy of goods tax	23	0.63
5.	Other irregularities	93	5.17
	Total	243	14.01
	Grand total	365	74.69

During the year 2006-07, the concerned departments accepted underassessment and other deficiencies of Rs. 20.50 lakh involved in three cases out of which Rs. 17.91 lakh has been recovered.

A few illustrative cases involving financial effect of Rs. 6.63 crore are mentioned in the succeeding paragraphs.

STATE EXCISE

3.2 Low yield of alcohol from molasses

Under the UP Excise Working of Distilleries (Amendment) Rules, 1978, for every quintal of fermentable sugar content present in the molasses, the distillery shall yield alcohol of 52.5 alcoholic litre (AL). For this purpose, composite samples of molasses are required to be drawn by the officer incharge of the distillery and sent for examination to the alcohol technologist. Failure to maintain the minimum yield of alcohol from molasses entails cancellation of licence and forfeiture of security deposit besides imposition of other penalties.

Test check of the records of seven distilleries, revealed that 127 composite samples of molasses were sent to the alcohol technologist during the year 2003-04 to 2006-07. Based on the reports of the alcohol technologist, out of 2.83 lakh quintal of fermentable sugar content present in molasses, 1.49 crore AL of alcohol should have been produced against which the actual production was 1.39 crore AL. This resulted in shortfall of 9.65 lakh AL of alcohol and loss of excise revenue of Rs. 4.63 crore. The department did not initiate any action to cancel the licence of the distilleries and forfeit the security deposit of Rs. 1.40 crore.

The matter was reported to the department and the Government between April 2005 and November 2006; their replies have not been received (August 2007).

3.3 Loss of excise duty due to short lifting of minimum guaranteed quota of country liquor

Under the provisions of the Uttar Pradesh Excise (Settlement of Licences for Retail Sale of Country Liquor) Rules 2001, a licensee is liable to lift the entire minimum guaranteed monthly quota (MGQ) fixed for each licensee during the year. In case of failure, the licensing authority has to adjust the outstanding balance amount of licence fee from the security deposit of the licensee and also issue a notice to the licensee by the third day of the next month to replenish the deficit in the security amount either by lifting such quantity of country liquor involving duty equivalent to the adjusted amount or by depositing cash or a combination of both. In case the licensee fails to replenish the deficit in security amount by the 10th day of the next month, his licence shall stand cancelled.

During scrutiny of the records of four district excise offices¹, it was noticed that 87 licensees lifted 5,89,145.83 bulk litre (BL) against MGQ of 6,54,968 BL of country liquor during the period from 2003-04 to 2005-06. However, these licensees did not replenish the differential licence fee of Rs. 52 lakh for shortfall. The department also did not initiate any action to adjust the amount from security

¹ Bhadoi, Firozabad, Orai and Raebareli

or cancel the licence. This resulted in short lifting of 65,822.17 BL MGQ involving excise duty of Rs. 52 lakh.

The matter was reported to the department and the Government between March 2005 and September 2006; their replies have not been received (August 2007).

TAXES ON VEHICLES, GOODS AND PASSENGERS

3.4 Non/short realisation of additional tax on vehicles plying without permit

Under the Motor Vehicles Act, 1988, no vehicle owner shall use a transport vehicle in a public place without a proper permit. Under the Uttar Pradesh Motor Vehicle Taxation (UPMVT) Act, 1997 as amended in October 2001, no motor vehicle (stage carriage) registered or adapted to carry more than nine persons excluding the driver, shall be kept for use without permit unless the vehicle owner has paid in addition to tax, an additional tax with 25 per cent of it payable in respect of such vehicles.

Test check of the records of office of seven regional transport officers (RTOs) between April 2005 and November 2006, revealed that during June 2002 to October 2006, 332 stage carriages were plying on their prescribed routes after the expiry of the validity of their permits. The vehicle owners did not get their permits renewed. Though the tax was paid by them but additional tax as required was not paid. This resulted in non/short realisation of additional tax amounting to Rs. 3.94 crore as mentioned below:

(Rupees in lakh)

Sl. No.	Name of unit	No. of vehicles plying without permit	Period	Additional tax levied	Additional tax leviable	Non/short levy of tax
1.	RTO Aligarh	57	April 2004 to March 2005	--	70.24	70.24
2.	RTO Bareilly	18	November 2004 to February 2005	--	17.10	17.10
3.	RTO Faizabad	48	April 2004 to January 2005	--	48.95	48.95
4.	RTO Varanasi	04	January 2005 to January 2006	3.07	4.90	1.83
5.	RTO Lucknow	183	October 2005 to October 2006	--	237.74	237.74
6.	RTO Gorakhpur	16	June 2002 to October 2006	4.02	19.50	15.48
7.	ARTO Chandauli	06	April 2005 to June 2006	3.27	5.63	2.36
Total		332		10.36	404.06	393.70

The matter was reported to the department and the Government between September 2005 and January 2007; their replies have not been received (August 2007).

3.5 Loss of revenue due to underassessment of additional tax

According to the fourth schedule under Section 6 of the UPMVT Act, additional tax on stage carriage upto a distance of 9,000 km on 'A' and 'B' class routes was applicable in four slabs upto 1 November 2002. From 2 November 2002, these slabs were merged into one slab and additional tax upto 9,000 km on 'A' and 'B' class routes was payable at the rate of Rs. 376 and Rs. 393 per seat per quarter respectively. Further, additional tax on 'A' class route for the distance of 9,001 to 11,700 kms and 11,701 to 14,400 kms was payable at the rate of Rs. 458 and 565 per seat per quarter respectively.

During audit of the records of three offices of Transport Department between April 2005 and June 2006, it was noticed that during the period between April 2004 and March 2006, 641 vehicles were plying on 'A' and 'B' class routes. Additional tax was levied at the slab rates applicable upto 1 November 2002 instead of the revised rates effective from 2 November 2002. This resulted in short levy of additional tax of Rs. 2.17 crore as mentioned below:

(Rupees in lakh)

Sl. No.	Name of unit	No. of vehicles	Period	Additional tax leviable	Additional tax levied	Short levy of tax
1.	RTO Varanasi	25	1 quarter 2 months to 6 quarters	26.61	6.22	20.39
2.	RTO Aligarh	578	5 quarter and 2 months	657.82	473.49	184.33
3.	ARTO Jyotibaphule Nagar	38	3 quarter to 4 quarter and 2 months	35.49	23.29	12.20
Total		641		719.92	503.00	216.92

The matter was reported to the department and the Government between September 2005 and June 2006; their replies have not been received (August 2007).