

## Liquor Revenue

### Why in news?

Restrictions of liquor stores have been eased around the country.

### How do states earn from liquor?

- Liquor contributes a considerable amount to the exchequers of all states and Union Territories (UT) except Gujarat and Bihar.
- Generally, states levy excise duty on manufacture and sale of liquor.
- Some states like Tamil Nadu also impose VAT (Value Added Tax).
- States charge special fees on imported foreign liquor; transport fee; and label & brand registration charges.

### What does the RBI report say?

- The 'State Finances: A Study of Budgets of 2019-20' report was published by the Reserve Bank of India (RBI).
- It shows that state excise duty on alcohol accounts for 10-15% of Own Tax Revenue of a majority of states.
- State excise duties on liquor are the second or third largest contributor to the category State's Own Tax revenue.
- This is the reason why states have always wanted liquor kept out of the purview of GST.
- RBI report shows that in 2019-20, the 29 states and the UTs of Delhi and Puducherry had budgeted Rs 1.75 lakh crore from state excise on liquor.
- On an average, the states collected about Rs 15,000 crore per month.
- Before the Covid-19 broke out, it was expected to cross Rs 15,000 crore per month in the current financial year.

### Which states collect the highest amounts in this form of revenue?

- During the financial year 2018-19, the five states collected the highest revenue from excise duty on liquor.
- They are Uttar Pradesh (Rs 25,100 crore), followed by Karnataka, Maharashtra, West Bengal and Telangana.
- For amounts collected as VAT and special fees on import for foreign liquor, state-wise figures are not available.
- One reason why UP collects the highest is that it levies only excise duty on

manufacture and sale of liquor; does not collect VAT separately.

- States such as Tamil Nadu collect VAT separately; whose VAT collections do not reflect in the excise duty collections.
- With Bihar and Gujarat having prohibited liquor, Bihar had 'nil' revenue from liquor in 2019-20, while Gujarat's revenue was negligible.
- Andhra Pradesh too announced prohibition last year; however, sale of the liquor has been allowed with "prohibition tax".

### **On what items the state excise is levied?**

- State excise is levied mainly on liquor and other alcohol-based items.
- Revenue receipts from state excise come mainly from most liquor types; Medicinal and Toilet Preparations with Alcohol, Opium etc; Opium, Hemp and other Drugs; etc.
- Besides, a substantial amount comes from licences, fine and confiscation of alcohol products.

### **What are the other sources of revenue for the states?**

- The states' revenues comprise broadly two categories: Tax Revenue and Non-Tax Revenue.
- Tax revenue is divided into two further categories: State's Own Tax Revenue, and Share in Central Taxes.
- Again, Own Tax Revenue comprises three principal sources:
  1. Taxes on Income (agricultural income tax and taxes on professions, trades, callings and employment);
  2. Taxes on Property and Capital Transactions (land revenue, stamps and registration fees, urban immovable property tax); and
  3. Taxes on Commodities and Services (sales tax, state sales tax/VAT, central sales tax, surcharge on sales tax, state GST, etc.,)
- According to the RBI report (2019-20), state GST had the highest share, 43.5%, in states' Own Tax Revenue.

**Source: The Indian Express**