REPORT OF THE COMMITTEE

TO SUGGEST MEASURES FOR

- AUGMENTING STATE EXCISE DUTY REVENUE.
- SIMPLIFYING LIQUOR PRICING MECHANISM.
- CHECKING MALPRACTICES AND EVASION OF DUTY IN LIQUOR TRADE.
- ENSURING EQUITABLE ACCESS TO LIQUOR SUPPLY.
- TRANSFORM THE NATURE OF LIQUOR TRADE COMMENSURATE TO THE CHANGING STATURE IN THE NATIONAL CAPITAL.

COMPOSITION OF THE COMMITTEE

- SH. RAVI DHAWAN, COMMISSIONER (EXCISE), GNCTD – CHAIRMAN.
- SH. SANJEEV KUMAR, DEPUTY COMMISSIONER (EXCISE), GNCTD – MEMBER.
- SH. ANAND TIWARI, ADDITIONAL COMMISSIONER, TRADE AND TAXES, GNCTD – MEMBER

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REPORT OF THE COMMITTEE

INTRODUCTION

Delhi is a metropolitan city with population of approximately 1.90 crore and also has a large floating population. It is one of the largest commercial centres in India. Delhi is a very progressive state growing at a rapid pace – Delhi's GSDP (at constant prices) is estimated to grow at 7.4% in 2019-20 compared to 4.2% GDP growth for India. The average growth rate of GSDP over the last five years was 8%. The per capita income (at current prices) for a resident of Delhi in 2019-20 was estimated at Rs 3,89,143. This is almost thrice and thus, far higher than India's per capita income of Rs 1,34,432. Delhi has one of the highest population density – 9,340 per sq. km with 75 % as urbanized area. The Northeast district of Delhi has a population density of 29,468 which is highest of all districts all over India. In terms of demographic dividend, 58% of population is below 30 years of age and 68% is under working age group. National Capital territory of Delhi is a Union Territory with its legislative Assembly and has 70 assembly constituencies.

The National Capital Territory of Delhi has 11 districts, 33 sub-divisions, 272 wards and 300 villages. Delhi is ranked as 28th-most visited city in the world and first in India by foreign visitors. The excise revenue is not at its optimum level and has further potential of augmentation.

With zero manufacturing units located within its territory, the liquor market is totally import based i.e Indian Made Foreign Liquor (IMFL), Foreign Liquor(FL) and Country Liquor (CL) (highly sensitive) are all imported in Delhi both nationally and internationally. The retail sector is served primarily by government owned corporations in form of L-6 – IMFL vends (372) & L-8 – Country liquor Vends (88) vends i.e approximately 60% of total vends and is also privately owned in the form of L-7 – private retail vends (85) and L-10 licenses (175) – private retail vends in shopping malls/airport i.e approximately 40% of total retail vends excluding Country liquor.

At present, there are 720 active retail vends in Delhi located in Local shopping Complexes (LSCs), Shopping Malls and Airports. However, the population-to-vend ratio is relatively low as compared to other metro cities in India. Further, the number of retail vends is also not commensurate with the size and demand of the city as compared to other metros like Bangalore and Mumbai. The number of vends in Mumbai and Bangalore is 1190 and 1794 with a population of 1.23 crore and 1.93 crore respectively.

Also, Delhi is a tourist hub with a large number of visitors making way to the national capital from within and abroad. The hospitality sector provides huge employment avenues to a large number of people directly or indirectly. The department has granted liquor licenses to Hotels, Clubs and Restaurants in the form of L-15/L-15F, L-16/L-16F, L-17/L-17F, L-18/L-18F, L-28/L-28F.

The changing demography and stature of the national capital necessitates reforms in the existing Excise policy and regulations in Delhi to augment revenue collection and ensure equitable access of authorized liquor to all.

To reform the liquor trade in Delhi, Hon'ble Deputy Chief Minister vide order no dycm/2020/2747-48 dated 04/09/2020 annexed as "ANNEXURE A (colly)" has constituted a committee under the chairmanship of Excise Commissioner with Deputy Commissioner (Excise) and Sh. Anand Kumar Tiwari, Addl. Commissioner (T&T) as other members of the Committee to suggest measures for:

1. Augmenting the State Excise Duty Revenue
2. Simplifying the liquor pricing mechanism.
3. Checking Malpractices and evasion of duty in liquor trade
4. Ensuring equitable access of liquor supply.
5. To transform the nature of liquor trade commensurate to the changing stature of the National Capital.

OBJECTIVES OF THE COMMITTEE

The Committee has approached its mandate keeping in mind the following objectives that, in its opinion, must be secured by the Excise department in its functioning:

- There is adequate Government control/regulation of liquor trade;
- To not allow formation of any monopoly or cartel and broad-basing the trade by facilitating the entry of new players of even modest means.
- Securing optimum revenue for the Government.
- Under the Delhi Excise Act, 2009, it is a statutory duty to encourage consumption of low alcoholic content liquor as compared to hard liquor.
- Ensuring equitable access of liquor supply to all residents in NCT of Delhi so that there are no un-served and under-served areas.
- A simplified duty and pricing mechanism that is periodically reviewed.
- Regular churning of retail licenses in order to ensure that there is accountability on part of the licensee in terms of revenue enhancement besides keeping in check the emergence of monopolies and cartels.
- Promotion of consumer choice and avoidance of malpractices like brand-pushing.

- Availability of popular as well as niche brands so that the customer has a wide choice.
- Systemic measures to check smuggling and bootlegging such as adequacy of number of retail vends and insignificant or no price differential with the neighbouring states resulting in very low or no arbitrage to incentivize smuggling.

The Committee was also authorized to consult various stakeholders in order to learn and incorporate their suggestions, if any, that would result in achieving the aforesaid objectives. In this regard, a meeting was held on 12.09.2020 in the chambers of Excise Commissioner with major stakeholders from wholesale, retail, hospitality sectors (HCR) to discuss on the above-mentioned issues and give their suggestions to the Committee. The suggestions made by the stakeholders have been annexed as "ANNEXURE B (colly)"

Further, the committee had a separate meeting with the executive heads of all four government corporations viz. DSIIDC, DTTDC, DSCSC, AND DCCWS, being major stakeholders in retail sector in the chamber of MD, DSIIDC on 25.09.2020 to suggest measures regarding the committee's terms of reference. Various issues were discussed in the meeting including restricted or no presence of the Government in the retail businesses. Following issues were also discussed in the meeting:

- Shifting of loss making vends
- Allegations of Brand pushing at the Government Retail outlets.
- Improving consumer experience at Government liquor vends.
- Opening of more retail vends/shops in unserved and under-served areas.
- Problems related to high rentals at prime locations in Delhi.
- Technical problems as regard to scanning and replacement of hardware.
- Fixed retail price margin.

All four corporations were requested by the committee to submit their suggestions on the issues discussed in the meeting or any other point which will contribute to augmentation of State Revenue. The suggestions have been annexed as "ANNEXURE C (colly) "

After going through the representations/suggestions made by stakeholders and consultations with Government Corporations, the deliberations and recommendations of the committee in respect of augmenting the State Excise Duty Revenue, Simplifying the liquor pricing mechanism; checking malpractices and evasion of duty in liquor trade; ensuring equitable access of liquor supply and to transform from the nature of liquor trade commensurate to the changing stature of the National Capital are as under:

1. AUGMENTING OF STATE EXCISE DUTY REVENUE

Excise revenue is levied and recovered under the following heads, namely:

(a) Duty means Excise duty, countervailing duty and special duty. –

(i) There shall be levied and collected duty on all intoxicants which are produced, manufactured, transported or imported into Delhi at such rates as may be prescribed, not exceeding the rates set forth in the Schedule.

(ii) There shall be levied and collected fees for terms, conditions and form of, and duration of, licence, permit and pass.

(b) Licence fee:

Mainly collected from the wholesale licenses (L-1, L-2, L-1F & L-3) and retail licenses (Liquor shops – L-6/L-7/L-8/L-10/L-12; Hotels /Clubs/ Restaurants – L-15/L-16/L-17) annually as per terms and conditions approved under the Excise Policy. *There is no sale target for retail vends and there is also no penalty for poor or negative growth in sale. Licenses are renewed on the prescribed renewal fees.*

(c) Label Registration fee:

Collected from only L-1/L-1F licences

(d) Import or Export fee:

Import fee is collected from L-1 licenses only in case of spirits @ Rs. 5/- per bulk litre.

1.1 RATIONALISATION OF WHOLESALE MECHANISM

At present, supply chain of liquor is totally import based as there is no distillery/ winery /brewery/manufacturing unit l in Delhi. Supply chain in Delhi is as under:

Distillery outside Delhi

↓

Wholesale licenses (L-1)

↓

Retail licenses

In the present model of wholesale distribution, the wholesale licenses in form of L-1/L-1F are granted under the provision of Rule 34 of the Delhi Excise Rules, 2010. Further, Rule 35 of the Delhi Excise Rules, 2010 states that licenses are not to be granted in conjuction with other licenses. However, manufacturers may be able to acquire retail licenses through proxy ownership in the existing system. This likely dual ownership facilitates and makes it possible to exploit the huge incentive to cheat and in practice, it is extremely difficult to ensure that Rule 35 is followed. The incentive to cheat is huge because of the very nature of the commodity – fast selling and highly taxed. A single bottle of liquor, where duty is not paid, not only leaves the state high and dry in terms of revenue but also pushes the profit margins from 10-15% to 65-70% as the major component of the price is the duties viz. excise duty and VAT. As such, there is a huge incentive to cheat and indulge in selling non-duty paid liquor (NDPL). The chances of duplication are high as have been identified by the Department in the recent past wherein non-duty paid liquor having duplicate barcodes were found in retail stores which is not possible without the complicity of the wholesaler causing revenue loss to the Government. Therefore, it becomes imperative to enhance government control in liquor trade so as to plug the leakages and mitigate the chances of revenue loss. In order to minimize this malpractice and protect and augment government revenue, the Committee is of the following view:

1.1.1 IMFL trade should be revamped by bringing the entire wholesale operations under one government entity. The model to be followed should be similar to the one as followed in the state of Karnataka where KSBCL (Karnataka State Beverages Corporation Ltd.) is the fully government owned wholesale corporation. The committee also strongly recommends that the corporation must function in an extremely asset-light manner as in the case of KSBCL and should only be owning/operating and managing the depot operations. It should not start logistical operations on its own and thus unnecessarily become asset-heavy.

1.1.2 For smooth, fair and transparent operations, it is imperative that the proposed Wholesale corporation would have absolutely no role in the following three matters:

- Ordering of stocks
- Payment to manufacturers against the stocks received, and
- Space allocation for stocks at its depots.

Note: The detailed modalities of setting up of this corporation and its functioning are outlined at "Annexure D (colly)". It may be noted that two operational models have been studied – firstly, supply-driven where the manufacturers supply the stock in the depots upfront and secondly, demand-driven where the retailers place an advance demand and supply is made against the demand. Modalities of both models are largely the same except the ordering process. In view of the fact that the latter model may be disadvantageous for a completely importing state like Delhi, as no reserve stocks could be built in this model, it is recommended to adopt the first model outlined in Annexure-C. The fact that during summer season, Delhi faces beer shortages many a times as a result of imposition of ban by neighbouring producing states is a case in point for the need to maintain certain levels of inventory in reserve.

1.1.3 As a result of depot operations, significant savings in terms of overhead costs, labour costs and rentals shall be made by the manufacturers who are also presently engaged in wholesale operations. As such, these savings must be taxed by way of levy of additional excise duty when the IMFL business shifts to this model of Government wholesale. Major portion of these savings should be taxed as an additional duty component and the rest shall go to the corporation as a small margin in order to make it self-sustaining. It is notable that the profits of the corporations are liable to income tax. As such, the state of Karnataka has levied an additional excise duty to enhance its revenue and levied a very small 0.5% (of MRP) as corporation's margin so as to minimize the tax liability on part of the Corporation, as its profits have been held to be liable for paying income tax.

1.1.4 No change is proposed in the present system of wholesale distribution of foreign liquor and country liquor as very premium products in Foreign liquor segment (ranging in thousands to few lakhs per bottle) carry a high handling risk and could result in heavy financial burden on the corporation in case of mishandlings.

1.1.5 With this absolute control of Government in wholesale trade, its presence in the retail sector can be minimized.

1.1.6 Cash & Carry model of Trade is a must as in the case of KSBCL so that the Government corporation is not burdened with receivables and bad debts.

1.1.7 The model of government wholesale corporation is expected to provide complete control over inflow and thus, helps minimize the possibility of institutional bootlegging/duplicate stock. It breaks the link between manufacturers and retailers by ensuring that all stocks are now routed only through this corporation.

1.1.8 It is proposed to operationalize this system by 01/10/2021 only for L-1 licenses i.e after 6 months of new license year for smooth transition from present regime to new supply mechansim though the government wholesale corporation. This will also allow the current wholesalers to liquidate their existing stock and maintain regular supply to retailers, give time for existing retailers to liquidate their stock and will also ensure uninteruppted liquor supply to the consumer.

1.1.9 As noted earlier, there should be no change in the supply chain of L-1F and Country liquor.

1.2 Rationalization of brand registration

With regard to registration and eligibility of the brands registered in Delhi, it is observed that the existing license fee regime for brand registration has not been revised since long, has become obsolete and needs revision. One of the mandates of the committee is to transform the nature of liquor trade commensurate to the changing stature of the National Capital. The consumer in Delhi needs to be provided with better quality options across different price segments. This would require facilitating registration of not only niche low-selling high-value brands in the national capital but also protecting the consumer at entry segment from denial of his choice by way of brand pushing of brands with negligible national presence.

Therefore, the Committee is of the view that economy brands of Whisky & Rum with MRP upto Rs.140/- should be discontinued.

Coming to the aspect of brand registration, the brand registration fee does not seem to be rational as a brand with sales volume of a few thousand bottles or less is paying same fees as paid by a brand with sale volume of 1 million cases in a year. The committee is of the view that brand registration fee should be rationalised with a mandatory registration fee on the lower side that is linked with sales volume, giving niche players an opportunity to enter the market with quality products. This will augment revenue collection also and will provide a level playing field to all manufacturers.

For instance, the revenue collection from brand registration of whisky for the year 2019-20 was 23.72 crores for 93 brands registered in Delhi. The proposed structure with approximately 1.19 crore cases of whisky sold in Delhi will generate additional revenue in tune of 8-9 crores. Similarly, the revenue will also be increased for other categories of liquor, while at the same time, niche brands with smaller sales volume will find it easier to enter the market.

In this regard, proposed license fee for brand registration of various categories of liquor is recommended as under:

GRANT OF L-1 & L-1F AND BRAND REGISTRATION IN DELHI

S. No.	Category	Licence fee for L-1 (EXISTING)	Licence fee FOR L-1 (PROPOSED)
1.	Economy Brands of Whisky & Rum with MRP upto Rs.140/-	Rs.25,00,000/-(Twenty Five Lacs) per brand	To be discontinued
2	Whisky	Rs.25,00,000/-(Twenty Five Lacs) per brand or 1% of the total wholesale value of that brand, whichever is higher.	Rs.10,00,000/-(Ten Lacs) per brand and Rs.20/ per case of Nine liters to be charged at the time of generation of IP (Import permit).

3	Beer	Rs.15,00,000/-(Fifteen Lacs) per brand or 1% of the total wholesale value of that brand, whichever is higher	Rs.5,00,000/-(Five Lacs) per brand and Rs.10 per case to be charged at the time of generation of IP (Import permit).
4	Rum/Gin/Vodka	Rs.12,00,000/- (Twelve Lacs) per brand or 1% of the total wholesale value of that brand, whichever is higher.	Rs.6,00,000/-(Six Lacs) per brand and Rs.20/ per case of Nine liters to be charged at the time of generation of IP (Import permit).
5	Brandy	Rs.8,00,000/- (Eight Lacs) per brand or 1% of the total wholesale value of that brand, whichever is higher.	Rs.6,00,000/-(Six Lacs) per brand and Rs.20/ per case of Nine liters to be charged at the time of generation of IP (Import permit).
6	Wine/Liqueur/Alcopop/ Mixed Alcoholic Beverages	Rs.2,00,000/- (Two Lac) per brand or 1% of the total wholesale value of that brand, whichever is higher' subject to a maximum of Rs.14 lacs.	Rs.20,000/-(Twenty Thousand) per brand and Rs.10 per case to be charged at the time of generation of IP (Import permit).

The license fee for registration of foreign brands is also proposed to be rationalised to bring more quality products into the market and make the market more competitive with enhanced choice for the consumers in Delhi. Also, Delhi being a metropolitan city and with highest number of tourists arriving in Delhi from various countries, the availability of all kinds of foreign brands is felt important for its global image. The proposal recommended is as under:

S. No.	Category	Licence fee for L-1F (EXISTING)	Licence fee for L-1F (PROPOSED)
1	Upto five spirits (Whisky/Rum/ Gin/ Brandy/ Vodka) brands	Rs.15,00,000/- (Rupees Fifteen Lacs)	Rs 50,000/- (per brand) + Rs 5 per bottle above 375 ml & Rs 2 per bottle upto 375 ml
2.	For each additional spirits brand viz Whisky/ Rum/ Gin/ Brandy/ Vodka	Additional Rs. 50,000/-(Fifty thousand) per brand	
3.	Upto Ten brands of Wine/Beer/ Liqueur/ Cider/ Alcopop /Mixed Alcoholic Beverages;	Rs.7,00,000/-	Rs 25,000/- (per brand) + Rs 5 per bottle for 330 ml and above & Rs 2 per bottle below 330 ml
4.	For each additional of Wine/Beer/ Liqueur/ Cider/ Alcopop /Mixed Alcoholic Beverages	Rs 50,000/- per brand	

The present eligibility for registration of brands in Delhi is divided into two categories i.e free pricing and non-free pricing. For eg: brands in whisky category having MRP Rs. 400 and below are categorized as non free pricing and can only be registered with minimum sale criteria which has been determined more than 20 years ago and has become obsolete with changing demography and economic status of Delhi. Second in the category is free pricing where the manufacturer has liberty to register with no minimum sale criteria i.e. those brands with an MRP of more than Rs. 400 (per quartz). Over time, few brands having negligible presence nationally have used the clause of free pricing to their advantage and made brand-pushing a regular phenomenon in Delhi market.

To minimize such malpractices and protect the consumer at entry segment from denial of his choice by way of brand pushing of brands with negligible national presence, it is proposed that the eligibility criteria may be made more stringent and the bar for non-free pricing may be raised from Rs 400 to Rs 600 besides revising the minimum sale criteria. The proposed eligibility will bring brands of reputed manufacturers having reasonable presence in comparable states in the entry segment. This is essential to ensure that only products of a certain quality are available for the entry segments of the consumers whose purchasing power is less. Thus, the Committee recommends that fixing of Minimum sale criteria for brand registration may be done as per table mentioned below which maybe automatically revised once every two years to account for inflation and economic growth.

Liquor category	Price point	Eligibility
Whisky	Brands with retail price less than INR 601/-per quarts (Threshold on MRP to increase every 2 years by 2.5%)	These brands shall be allowed registration in the National Capital Territory of Delhi only if the brands and all its variants have sold a minimum of 1,00,000 (One Lakh) cases each in minimum 5 states (excluding Delhi) in India who have IMFL industry higher than Delhi and Minimum of 10 Lakh Cases volume including CSD in the previous year all over India (excluding Delhi).
	Brands with retail price more than INR 601/- per quarts and above (Threshold on MRP to increase every 2 years by 2.5%)	No sale figures will be required in this category

Rum/Vodka	Brands with retail price less than INR 501/-per quarts (Threshold on MRP to increase every 2 years by 2.5%)	These brands shall be allowed registration in the National Capital Territory of Delhi only if the brands and all its variants have sold a minimum of 10,000 (Ten thousand) cases each in minimum 5 states (excluding Delhi)in India who have IMFL Industry higher than Delhi and Minimum of 1 Lakh Cases volume including CSD in the previous year all over India (excluding Delhi)
	Brands with retail price more than INR 501/- per quarts and above (Threshold on MRP to increase every 2 years by 2.5%)	No sale figures will be required in this category
Beer	A Beer brand with above 5 per cent alcoholic strength & MRP upto Rs.150/- per quarts	These brands shall be allowed registration in the National Capital Territory of Delhi only if the brands and all its variants have sold a minimum of 10 lakh cases (including CSD but excluding Delhi) all over India with Registration in atleast 5 states and a Minimum sale of 1 lakh cases in previous year in each of these states (excluding Delhi)
	A Beer brand upto 5 per cent alcoholic strength & MRP upto Rs.150/- per quarts	These brands shall be allowed registration in the National Capital Territory of Delhi only if the brands and all its variants have sold a minimum of 5 lakh cases (including CSD but excluding Delhi) all over India with registration in atleast 5 states and a Minimum sale of 50,000 cases in previous year in each of these states (excluding Delhi)
	For Beer brands with alcoholic strength above or below 5% (both) with Maximum Retail Price (MRP) of above Rs.150/- per quarts bottle (650 ML)	No sale figures will be required in this category.

Brandy	There is one brand registered in Delhi in brandy with sale volume of approximately 10,000 cases.	No sale figures will be required in this category.
Gin	There are only 5 brands registered in Delhi and a sale volume of 53,500 cases in last year.	No sale figures will be required in this category.

Note: The above table is for IMFL only.

1.3 REFORMING THE RETAIL LICENSING REGIME

The retail sector in Delhi is served by 720 active vends including country liquor. Out of these, 60% of the vends are owned by government corporations in form of L-6 – Inidan Made Foreign Liquor vends (372) & L-8 – Country liquor Vends (88) and rest 40% of the total vends are privately owned in the form of L-7 – private retail vends (85) and L-10 licenses (175) – private retail vends in shopping malls/airport. The above said retail vends except L-8 are also authorized to sell foreign liquor.

The revenue contribution by the Government vends is almost equal to private sector inspite of 40% more government vends. The average contribution per vend of government corporation in terms of Excise Duty is Rs. 5 crores p.a. in comparison to Rs. 8 crores p.a. per private vend. Further, the corporation owned vends fall short in providing a congenial consumer experience in terms of choice and wide brand availability.

It is also pertinent to note that since 2016, no new retail licenses have been granted in Delhi. The liquor trade, in terms of volume, has remained almost flat for the last 6 years inspite of a growing economy, increasing population, increasing per capita income and despite an estimated 2 million people joining the legal drinking age. As a result of this, a large segment of population finds it difficult to purchase liquor from the authorized sources due to non-availability of vends in their proximity. This not only results in a loss to the Government revenue but also puts the life of these consumers at risk. The large un-served area is prone to sale of spurious liquor and promotes bootleggers. Further, the legal drinking entrants are likely to increase by another 2 million in the next 5 years which will lead to higher consumption. So to cater to the demand, supply chain needs to be strengthened and access to authorized and bonafide liquor must be made available.

Another drawback in the existing retail licensing mechanism is that retail vends for consumption of liquor 'off' the premises are automatically renewed every year on payment of a marginal fixed license fee as per provisions of rule 41 of the Delhi Excise Rules, 2010. There is no accountability in terms of increasing contribution/ revenue to Government exchequer for these retail licenses. The general practice of renewal of the non-performing vends showing negative growth has been continuing in the recent years and there is no provision to weed out these non-performing vends. In this regard, regular churning of the retail vends is the only solution. This would also prevent cartelization in retail sector by way of allowing entry of new players and would ensure protection of Government revenue. In this regard, the auction/lottery mechanism as adopted in the states of Haryana, UP and Rajasthan have been studied.

In order to augment revenue collection, there are 3 levers of revenue generation i.e Excise Duty, license fee and Quota. The revenue generation responsibility should be shared with the licensees. However, the corporation vends have their own limitations as regard to man-power, logistics, space, funds etc and have no added advantage in terms of contribution to revenue to state's exchequer.

The Committee is of the view that the Government's presence in the retail sector should, in the first instance, be minimized and when the wholesale government corporation stabilizes in the medium term, it may be justified for the government to exit the retail sector altogether. The advantage of having minimal governmental presence in the retail sector spread uniformly across the geography is that it helps keep a check on the tendency of private players to engage in malpractices like overcharging and cartelizing, besides keeping once source of distribution at the end-point ready and available at all times to the Government. As it is, the country liquor vends need to remain with the government and would continue to function as they do presently.

The Committee has studied three models of retail trade which are elucidated as under:

A. EXISTING MODEL : The present retail trade model wherein there is both public and private sector presence which have retail licenses in form of L-6, L-8 and L-7, L-9 AND L-10 respectively. At present, the license is renewed under rule 41 after payment of requisite license fee as prescribed by the Government. The revenue generated by renewal of retail licenses in form of License fee is as under:

Name of license	Fee per license	No of licenses	Revenue from license fee (Rs. Crores)
L-6	4,00,000	377	15.568
L-8	2,00,000	88	1.96
L-7	8,00,000	87	7.542
L-10	8,00,000	175	14.56

The total revenue generated from renewal of retail licenses in the year 2019-20 was Rs. 39.62 crore.

The drawbacks of this existing system includes allegations of brand-pushing through corporation vends; sluggish growth by non-performing vends with no accountability in terms of augmenting revenue generation both in private and corporation sector; liquidity constraints for wholesalers due to delayed payments by retailers; no regular churning of retail licenses; lack of availability of premium brands in corporation vends; and concentration of licenses with a few players through proxy ownership.

Further, the licenses are unevenly distributed geographically and demographically leading to a significant segment of the population in Delhi being unserved and underserved.

The potential of revenue generation is undermined in the current framework which needs to be reformed so as to augment revenue collection from retail licenses.

B. LICENSE TO INDIVIDUAL: In this model, retail licenses are widely distributed in a fair, transparent manner amongst a large number of eligible individuals only. This model envisages distributed ownership of retail vends wherein the licenses are periodically re-distributed through a transparent selection process.

In terms of revenue augmentation potential, this model brings in a huge amount of revenue by way of non-refundable application fee alone, as a large number of applications are put in by potential licensees.

Further, nobody is too big to fail, thereby jeopardizing the revenue interests of the Government. In case of any default or malpractices, swift and stringent action can easily be taken without major adverse consequences with respect to disruption in supply chain.

Also, the qualifying criteria to apply for a license can be made stringent for individual applicants in order to discourage non-serious applicants. There are also less chances of brand pushing due to inability of individual players to dominate the market by dint of their size.

However, the drawback of this model could be that in case non-serious applicants with no or little experience in liquor business are able to obtain license by lottery, and are not able to carry out their operations efficiently, the government revenue to that extent may be adversely impacted.

C. LICENSE TO LIMITED ENTITIES: In this model, a limited number of entities of a pre-defined net worth and solvency are allocated retail licenses through a transparent bidding process with a captive geography.

The merits of such a model includes participation by established players with experience in liquor trade, the better financial capacity of such entities to carry on their business and administrative convenience in managing smaller number of players.

The drawbacks of this model are that it is highly prone to cartelization and market capture by the limited number of licensees. The government's dependence on the licensee to ensure regular revenue for itself and uninterrupted supply in the market shall greatly increase. In case of failure/default of the licensee or the licensee found engaged in malpractices, there would be no easy substitutes to ensure revenue and maintaining the supply chain. If retailers and wholesalers are common entities, syndicates can be formed leading to overcharging and brand influencing/pushing by entering into exclusivity arrangements with certain brands at the cost of exclusion of others. Chances of sale of non-duty paid liquor is also higher in this model.

Based on the analysis of the above three models, the recommendations of the committee with regard to retail licensing mechanism are as under:

1.3.1 The focus should be on preventing any monopolistic tendencies in the liquor trade and therefore, not only there should be regular rotation of licensees but also the licenses should be granted to only eligible individuals who fulfill a certain criteria so that there is little scope for proxy ownership/control that is gained through operation of companies and firms with dummy directors/partners.

1.3.2 The process of granting of the license should be such as to ensure equitable coverage so that there is no instance of un-served and underserved areas in Delhi including Non-Conforming Areas. There are 272 wards in 70 Assembly Constituencies in Delhi. As the wards are more or less equally populated, the committee recommends that there may be 3 vends in each ward (272 * 3 = 816 vends). Further, there may be one government corporation vend (composite i.e. including license to sell Country Liquor) in each of the 70 assembly constituencies. In NDMC area which has no wards, 24 vends are recommended. The number of vends have been determined on the basis of number of people visiting the NDMC on daily basis. Though the population in NDMC area is considerably low being a lutyens Zone, but the area is a hub for offices –both MNCs and Government offices, is a tourist hub with high footfall and large number of eating points and premium commercial establishments like Connaught circus, Khan Market, Lodhi Road etc becoming a spot for floating population in the high income group. Further, there should be 6 retail vends at Indra Gandhi International Airport which has three terminals (Each having a retail vend at arrival and departure). This would ensure equitable distribution of vends across Delhi.

The total number of estimated vends shall be 816 in 272 wards + 70 in each Assembly Constituency + 24 in NDMC area + 6 at Airport = Total 916 retail vends in Delhi.

Further, the current license category in retail sector may be abolished (L-6,L-7,L-8,L-9,L-10) and a single category of retail license be framed with a separate nomenclature distinction for Government owned vend.

In case of vends located at airport, there shall be no separate lottery for allotment of airport retail licenses. There are three terminals at Indira Gandhi International Airport. In line with the existing practice, two vends at each terminal (one for arrival and one for departure) may be allotted by lottery to eligible individuals. The successful allottee shall require the NOC from concerned airport authority/operator to obtain the license.

1.3.3 The practice of auto-renewal of retail licenses after payment of requsite license fee under Rule 41 of the Delhi Excise Rules, 2010 has become obsolete and needs revision. It is proposed that lottery of retail licenses may be done every two years. Also, the renewal of license for second year may be done with payment of license fee mandatorily enhanced by 10% and to ensure regular churning of retail licenses, no extension beyond 2 years is recommended and there should be a new lottery.

1.3.4 Only individuals can apply for the license. This is essential to minimize the chances of proxy ownership that leads to creation of cartels. The individual must be an Indian citizen over 25 years of age. He must have a PAN card and must have filed an IT return in the last 2 years and have paid an annual tax of atleast Rs 1 lakh, after accounting for all deductions and rebates. Further, an individual may be allotted a maximum of 2 (two) vends. However, there shall be no limit on the number of applications an individual may apply. The lottery applications will be against the pool of all 846 vends and will be randomly allotted in WARDS, NDMC area and AIRPORTS. Vend to lottery ratio to be fixed as 1: 4 i.e 3384 say about 3400 successful shortlisted lottery applicants for 846 vends so that the department has sufficient number of applications for scrutiny to shortlist eligible applications complete in all respects including statutory requirement for final allotment of vend and waiting list.

Note: To ring-fence the department against the non-serious applicants, an individual can be allotted a maximum of 2 retail licenses by lottery. Further, 2 retail licenses can be acquired on ownership on transfer basis after payment of additional ownership transfer fee to tune of 25% of the license fee. However, in no case, an individual who meets the application criteria can have a license of more than 2 vends.

1.3.5 A non-refundable application fee of Rs 50,000 per application may be charged for private vends. As a result of consultations with various stakeholders, it is estimated that there may be around 25-30 applicants per retail vend that is likely to give revenue in tune of 105-125 crores on a conservative basis. Certain stakeholders have contended during consultations with the committee that this figure can go upto 200 crores.

Note: The state of Rajasthan earns approximately 1000 crores from the lottery applications against 6600 vends.

1.3.6 The license fee may be determined on the basis of the gross profits assured to the retail licensees. The total approximate sale during the financial year 2019-20 has been to the tune of approximately Rs 12000 crores of which the recommended 8% profit may be taken as base figure for arriving at gross profits i.e. Rs 960 crores. Accordingly, it is recommended that 2/3rd of this pool should be the annual license fee that will be non-refundable in nature. As such, Rs. 640 crores is recommended as the overall license fee to be collected uniformly from 846 private vends i.e. Rs Rs. 75.65 lakhs say Rs. 75 lakhs (non-refundable in nature). The license fee for 70 government vends may be fixed at 35 lakhs per composite vend in each assembly constituency.

1.3.7 Further, the location of the vend should be subject to only the statutory requirement. Vends must be allowed to open in non – conforming areas with the approval of Hon'ble LG as is presently done by the Department at the time of renewal of few existing retail licenses operating in the non-conforming areas. At present, there are 18 assembly constituencies with less than 5 vends which makes these areas prone to bootlegging and illicit liquor supply. Due to non-availability of approved commercial areas/complexes in these localities, there is restriction of opening of new retail outlets depriving the bonafide consumer to purchase liquor from authorized source.

1.3.8 The lottery allottees shall be eligible for renewal for the second year after mandatory 10% hike in the existing license fee. In no case, there should be a renewal beyond the second year and the department must go for a lottery again to ensure it earns the non-refundable application fee as well as having regular churning of the existing licensees.

1.3.9 The carpet area of the vend should not be less than 500 sq. feet. An exception with the approval of the Government could be made only for vends in non-conforming areas.

Note: Time line for the above said exercise is recommended as follows:

- Announcement : 15th December, 2020
- Last date for filling lottery application: Midnight 4th January, 2021.
- Lottery by e-mechanism : 5th January, 2021
- Agency for lottery : By NIC.
- Scrutiny of successful applications in the ratio 1 : 4 (approximately 3600 applications) : by 20th January, 2021.
- List of Final allottees by Lottery with waiting list of 200 applicants : 2nd February, 2021

- Statutory qualification of allotted applicants including inspection of proposed premises for vend: Till 15th February, 2021

- Issue of offer letter for Fee payment: Till 1th March, 2021

- Last date of payment of fee and security deposit (25% of annual license fee) : till 7th March, 2021

- Grant of license after successful fee payment : 10th March, 2021.

- License operational: 1st April, 2021

1.3.10 Each vend should mandatorily lift its quota of stock worth an annual excise duty (excluding VAT) of Rs. 7 crores. The lifting of quota/stock to be done by the lottery allottees of retail licenses to the tune of 20% at the time of allotment of retail license with atleast 10% quota lifting in subsequent months. The amount of Rs. 7 crores is the minimum that each vend should contribute and has been fixed at a discount to the present contribution per private vend but is higher than present contribution per government vend. Since the lottery mechanism and lifting of quota is to be exercised in Delhi for the first time, it is not possible to ascertain at this stage the ward-wise consumption pattern. Therefore, the quantum of minimum quota may be reviewed after two years when the Department will have authenticated data as regards to sale and consumption in each of the 272 wards. The lottery and quota lifting for proposed 846 vends should be subsequently done ward-wise after completion of two years.

1.3.11 The present retail margin was fixed on various categories of liquor in the year 2014 which is 12 % of WSP in case of Beer, Cider and Alcopop, 20% of WSP with ceiling of Rs 50 in case of IMFL i..e whisky, rum, gin, vodka, brandy and 15% of WSP with ceiling of Rs 100 in case of foreign liquor. This has remain unchanged since past 6 years and thus, discourages retailers to place purchase orders for premium brands due to ceiling of margin of Rs 50 for IMFL and Rs 100 for FL. The stakeholders during the interactions with the committee and their subsequent representations have requested that the retail margin should be reviewed and increased upto 20% of the MRP without any capping by the Department in view of increased cost in logistics like rentals, employee salary etc. In other states like Karnataka and Maharashtra, the retail profit margin is 10 % and 8 % of the selling price respectively. The retailer selling a brand valued less than Rs 800 is earning same margin i.e Rs 50 as against a retailer who is selling a high end brand worth Rs 5000 and same goes with the FL where there is a retail margin of 15% of the WSP with ceiling of Rs 100. In view of above, the Committee is of the considered view that the present retail margin system should be discontinued and a fixed retail margin @ 8% of the MRP without any capping on retail margin be implemented to ensure premiumization. This margin should cover the higher costs of transition to cash and carry model as well as the overheads and other costs. A fixed retail margin @ 8% of MRP without any ceiling is a reasonable and attractive profit margin to carry out the business in an honest manner and also create a better shopping experience.

1.3.12 Ownership transfer provision can be exercised subject to payment of 25% of the license fee in case of allotment of license through lottery. This would provide an exit option to a non-serious applicant who has little or no knowledge of liquor trade. However, in no case, an individual who meets the application criteria can have a license of more than 2 vends.

1.3.13 There have been instances where shops have been closed due to court orders, dispute with landlords and sealing by MCDs at the order of monitoring committee etc. Further, there can be loss-making vends in particular location which should be allowed to shift from one location to another within the same ward. Therefore, the committee recommends that Shifting of vend to be allowed subject to payment of Rs 5 lakh as shifting fee.

1.3.14 In case of a surrender of a retail license by a lottery allottee, the surrendered license shall first be offered to the first applicant in the waiting list at the same conditions, failing which to the Government Corporation to operate the said surrendered license.

2.SIMPLIFYING THE LIQUOR PRICING MECHANISM

The current duty slab structure was introduced in 2012-13 and there has been no change since then. More than 80% IMFL industry is in a single slab which defeats the purpose of multiple slabs. There has been opportunity loss to the Government due to non-premiumization of products. At present, the price is fixed on Ex-distillery price based on which MRP is worked out as per prescribed rates of various excise levies, Value Added Tax, retail profit etc while the duty is calculated on WSP and the retail margin, sale price, total VAT i.e 25% VAT on WSP and Excise Duty and 25% VAT on retail margin paid by retailer at the time of billing is further calculated to reach on MRP which is paid by the consumer in Delhi. The long-standing demand of the stakeholders is to review the components influencing WSP like wholesale margin, freight and handling charges, insurance and transportation charges etc.

The present duty structure in Delhi is a complex structure and is on the higher side when compared with neighbouring states. The need of the hour is to simplify the pricing mechanism. In Delhi, the most sold segment is in range of Rs 400 to Rs 800 while the per capita income or spending capacity of the consumer is on higher side as compared to other metros but the consumer has limited choice and base and is devoid of premium products. The aim should be to incentivize the customer to move to a higher value product from the existing products consumed ensuring better quality product to the consumer as well as higher revenue to the government.

The objective of raising the bar for non-free pricing is to have more control over price fixation and protect the Government revenue.

In view of above, the committee is of the view that L-1 Licensees may be at liberty to declare the Maximum Retail Price (MRP) instead of Ex-distillery price (EDP) with fixed Excise Duty, VAT as applicable and assured retail margin of 8% of the MRP, the remaining of the amount left of MRP would be Whole sale price (WSP) for the manufacturer. Though there shall be a reduction in Excise duty for higher-value brands due to price simplification and premiumization, the Government shall gain from the proposed model in terms of greater volume besides also earning higher in the form of annual license fee. Further, the consumer is incentivized to shift from less premium brands to more premium brands due to rationalization of prices in the proposed duty structure.

In case of foreign liquor, there is still price disparity when compared to the neighbouring states due to lower duty structure and pricing mechansim as the concept of Minimum Retail Price exists in neighbouring state of Haryana because of which there is influx of foreign liquor through porous borders. In comparison to spirits, beer is not as profitable to be smuggled into Delhi due to its bulky and voluminous nature. Although, a clause for declaration of Minimum Whole Sale Price from Principal Importer in Foreign liquor segment had been incorporated in the year 2019-20 whereby the price disparity in prices of foreign liquor was reduced with the state of Haryana which resulted in 100% increase in Foreign Liquor sold in Delhi between Oct 2019 to March, 2020 as sold in corresponding period of 2018-19 and 151% increase in popular best selling brands for the said period, yet there is still immense potential in Foreign Liquor trade which needs to be harnessed to augment revenue collection.

The committee is of the view that the existing pricing mechanism in case of foreign liquor needs a revamp which can be done by reducing arbitrage and simplifying the duty slabs as done in case of L-1 licenses i.e MRP based pricing. There shall be no separate slab for foreign liquor and pricing of foreign liquor is to be done on the same slab as done in case of Indian liquor (except in case of beer). However, the beer from Bhutan shall be priced as per the proposed duty structure for Indian beer.

The proposed duty structure which is as under:

PROPOSED RATES OF EXCISE DUTY (INDIAN LIQUOR) Rule [illegible]

(1) Indian Liquor and Foreign Liquor (Whisky, Rum, Gin, Vodka, Brandy)

Maximum Retail Price (MRP) Slab	Maximum Retail Price (MRP) per Quarts of 750ml (in rupees)	Duty calculated @ of Maximum Retail Price
1.	Upto 350	Cheap liquor to be discontinued and no brand to be registered in Delhi.
2.	Above 351 to 600	Fixed duty (Rs 175) + 30% of the balance MRP exceeding Rs 350
3.	Above 601 to 1000	Duty for maximum MRP in slab 2 (Rs 250) + 20% of the balance MRP exceeding Rs 600
4.	Above 1001	Duty for maximum MRP in slab 3 (Rs 330) + 10% of the balance MRP exceeding Rs 1000

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(2) Indian Liquor and Foreign Liquor (Wine, liqueur)

Maximum Retail Price (MRP) Slab	Maximum Retail Price (MRP) per Quarts of 750ml (in rupees)	Duty calculated @ of Maximum Retail Price
1.	Upto 1500	15% of the MRP
2.	Above 1501	Duty for maximum MRP in slab 1 (Rs 225) + 10% of the balance MRP exceeding Rs 1500
(3) Indian Liquor and Foreign Liquor (where custom duty is not levied) (Beer, Cider and Alcopop)		
Maximum Retail Price (MRP) Slab	Maximum Retail Price (MRP) per Quarts of 650 ml (in rupees)	Duty calculated @ of Maximum Retail Price
1.	Upto 200	45% of the MRP
2.	Above 201	Duty for maximum MRP in slab 1 (Rs 90) + 40% of the balance MRP exceeding Rs 200
(4) Foreign liquor (Beer, Cider and Alcopop)		
Maximum Retail Price (MRP) Slab	Maximum Retail Price (MRP) per Quarts of 650 ml (in rupees)	Duty calculated @ of Maximum Retail Price
1.	Upto 200 (where custom duty is levied)	22.5% of the MRP
2.	Above 201 (where custom duty is levied)	Duty for maximum MRP in slab 1 (Rs 45) + 20% of the balance MRP exceeding Rs 200

At present, it is also not allowed to give any rebate/discount/concession by wholesaler or retailer. The practice is both anti-consumer and anti-competitive. Since the government duty is ensured and fixed, there should be no objection to discounts or rebates. The committee is of the view that there is a need for amendment in Rule 53(1) in regard to concession, rebate or discount on sale price of liquor and rebate/discount/concession may be allowed by wholesalers and retailers on liquor as there shall be no revenue loss to the Government.

3. Checking Malpractices and evasion of duty in liquor trade

3.1 The possible malpractices and evasion of duty in liquor trade in Delhi can be summarized as follows:

3.1.1 Smuggling of liquor from neighbouring states due to price disparity and porous borders with states especially Haryana.

3.1.2 Possibility of supply of Non Duty Paid Liquor (NDPL) in Delhi due to duplicacy of barcodes.

3.1.3 Large pilferage of Foreign Liquor from Custom bonded warehouses situated in Delhi and NCR regions.

3.1.4 Large number of dry days as compared to neighbouring State of Haryana that fuels smuggling.

3.1.5 Possible supression of sale figures by Hotels, Clubs and Restaurants so as to evade VAT.

3.2 In order to check the above-said malpractices and curtail the possibility of duty evasion, the following measures are suggested:

3.2.1 The EIB and Enforcement wing needs to be further strengthened in order to check bootleggers, illicit supply chain and better enforcement of existing laws and framework. More powers need to be enshrined upon the Excise Officials and EIB staff to curb the illicit liquor trade. Porous borders need to be suitably manned to curtail illicit supply of liquor from neighbouring states.

3.2.2 Modality of VAT collection without impacting overall Government revenue from Liquor: The practice of levying VAT at point of sale (POS) is prima-facie misused by the HCR segment. It is proposed that a separate committee could study the data of VAT collection in detail so as to determine whether the present system only could continue with additional measures to check leakages or whether it is beneficial to remove VAT on liquor altogether and only levy at first point in form of additional Excise duty like done by some states so that the possible evasion of Value Added Tax through supression or under-reporting of sale by HCR can be minimized.

3.2.3 Timely implementation of the new barcodes - Excise Adhesive Labels (EALs) manufactured by SPMCIL shall be implemented in a timely manner. These have high end security features which cannot be cloned and duplicated, thereby extenuating the chances of duty evasion.

3.2.4 Price parity in highest sold segment in Indian Liquor and Foreign liquor to bring the prices in close range especially in parity with State of Haryana.

3.2.5 Rationalisation of number of dry days in Delhi to curtail possible migration of consumer to neighbouring state and returning back after consumption. The committee is of the view that number of dry days to be reduced to 3 (three) in parity with the neighbouring states.

States →	Haryana	Uttar Pradesh	Punjab	Delhi
Dry Days →	3	4	3	21

3.2.6 Mandatory dealer registration for custom bonded warehouses with fees of Rs 25 lakh per annum to discourage pilferages from the custom bonds located in the geographical territory of Delhi.

4. Ensuring equitable access of liquor supply.

At present, there are 18 assembly constituencies with less than 5 vends, which is extremely low and makes these areas prone to bootlegging and illicit liquor supply. In order to have equitable number of licenses along the length and breadth of Delhi, a criteria of 13 vends per Assembly Constituency (comprising 1 composite government vend and 3 private vends in each ward of the assembly constituency) may be adopted as the wards are more or less uniformly populated.

Further, it is also proposed that there may be 24 vends in NDMC area, being a hub for offices for MNCs and Government offices, tourist hub with high footfall and large number of eating points and premmium commercial establishments like Connaught circus, Khan Market, Lodhi Road etc. Further, there may be 6 retail vends at Indra Gandhi International Airport (2 retail vends – one at departutre and one at arrival at each of the three terminals).

5. To transform the nature of liquor trade commensurate to the changing stature of the National Capital.

The committee is of the following view to transform the nature of liquor trade commensurate to the changing stature of the National Capital:

5.1 Reforms in Hotels, Clubs and Restaurants segment:

5.1.1 Open spaces: There is no explicit provision for grant of licence in Open Area under the Delhi Excise Act, 2009, or the Delhi Excise Rules, 2010. The licenses for open area under the terms and conditions applicable on grant of additional area as per the provisions of Rule 66 of the Delhi Excise Rules, 2010 may be allowed subject to submission of licenses issued by link department by the applicant against payment of applicable licence fee. The committee is of the view that liquor service in open spaces viz terrace/balcony/lower area of Restaurant/Club/Hotel may be allowed.

5.1.2 Timings of bars in restaurants and clubs may be increased from 1:00 am to 3:00 am (likewise in other metros/NCR) with payment of additional fee.

5.1.3 Seat covers avoidance (license fee not to be linked with seat cover) At present, the license fee for restaurants holding liquor license is based on seat covers like 48 seat covers, 96 seat covers etc. As the license holder in premium areas like Khan Market, Connaught circus is paying the same license fee as done by license holder in comparatively low-rental areas like NorthEast Delhi, Outer Delhi, this need to be reviewed and discontinued. The committee recommends to rationalize the licence fee on the basis of area instead of seat covers.The licence fee calculated is based on the categorization of area/locality given by Revenue Department. The proposed license fee for L-17/L-17F, L-18/L-18F, L-19/L-19F, L-28/L-28F and L-29/L-29F is annexed as ANNEXURE E (colly).

5.1.4 Issuance of liquor license could be considered on intimation basis to eating-houses with mandatory Fire NOC. This would be a major step towards ease of doing business and would simplify the liquor granting mechanism in case of hospitality sector.

5.1.5 Reduce fees for New L-18/L-18F license: In order to promote mild alcoholic beverages, the committee is of the view that the license fee for L-18/L-18F should be fixed at a flat Rs 2,50,000 p.a irrespective of their seating capacity or area.

5.1.6 The licence fee for the Clubs having L-28/L-28F licence varies on the basis of number of members it has. It is proposed that the licence fee for L-28/L-28F licence be also calculated on similar basis as recommended for the restaurants i.e. based on the categorization of area/locality given by Revenue Department.

5.1.7 Hotel, Clubs and Restaurants may be allowed to place Purchase Order from Retailers instead of wholesalers. At present, the retailers whether "off" and "on" premises are only allowed to place purchase order with wholesalers. As now, the proposed scheme is to introduce quota system for retailers, it would be feasible that the Hotels, Clubs and Restaurants place their purchase orders directly with Retailers. This would also support the mandatory quota lifting provision for the retailers besides giving flexibility to the HCR segment in making its purchases and also in view of the proposed new wholesale model.

5.1.8 Service of full bottle on the table to bring more transparency in regard to liquor being consumed in Hotel, Club and Restaurant. As per the provisions of Rule 66 (10) (c) & (11) (c) , the licensee shall serve beer and wine in open bottles or in glasses and other liquor only in glasses. The committee is of the view that service of full bottle on table may be allowed by the Licensees to ensure service of quality liquor to the customers. This however, shall be the subject to the sole responsibility of the licensee to ensure that no customer takes the served bottles out of the license premises.

5.1.9 Storage of liquor anywhere within the licensed premises may be allowed other than only designated place marked as liquor store as done presently.

5.1.10 Provision of additional dispensing counter - No explicit provisions for grant of additional dispensing counter is given under the Delhi Excise Act, 2009, or the Delhi Excise Rules, 2010. However, vide notification dated 20.12.2017, provisions for allowing additional dispensing counter at an independent restaurant was provided to the licensees. The committee recommends that an amendment in Rule 66 (10) on the lines of notification dated 20.12.2017 may be carried out in order to facilitate the stakeholders (L-16/L-16F licensee) to have additional dispensing counters against payment of 10% of the applicable license fee.

5.1.11 Provision for allowing change in the category of licence i.e. L-17 to L18, L-18 to L-17 after payment of additional fee may be made.

5.1.12 Grant of additional area - The area located adjacent to the existing bar is additional area and is given under the Rule 66 of the Delhi Excise Rules, 2010 for service of liquor in the additional area only from the main bar counter with certain terms & conditions and payment of additional fee equivalent to 75% of the licence fee applicable on the licensee. However, in recent practice the grant of additional area has been held up. The committee is of the view that the additional area should be allowed.

5.1.13 Allowing stock in refrigerator within license premises is a reasonable demand that may be favourably considered.

5.1.14 Under the provision of Rule 24, the Deputy Commissioner before the grant of license for consumption "on" the premises has to ascertain the opinion of the neighbourhood through public notice which is often misused by the already operational licensee to create operational hurdles in allotment of new liquor license to new restaurants. Thus, the committee is of the view that Rule 24 may be abolished which would also be a step towards ease of doing business.

5.1.15 The Committee recommends that branding should be allowed within licensed premises.

5.2 Minimum age of Drinking be reduced to 21 years: Section 42 of the Delhi Excise Act, 2009, explicitly bars the licence holder or any person acting on his behalf to sell or deliver any liquor to any person apparently under the age of twenty five years (25 years). The committee is of the view that the permitted drinking age in Delhi be brought in line with the majority of states of India and the same may be fixed at 21 years as there is transmigration of residents of Delhi from age group of 21-25 to neighboring States to consume liquor and return back.

5.3 Migration of drinking population from hard liquor to soft liquor:

In order to encourage socially responsible drinking behavior, the objective of the statute is to motivate people to shift from hard liquor to soft liquor.

In this regard, following is proposed:

5.3.1 Rationalisation of duty structure by changing slabs of cider and alcopop from present slab with beer to Indian Wine and Liqueur (already covered in duty structure)

5.3.2 New policy for **L-12/L-12F** licenses i.e retail licenses to departmental stores for selling beer, wine etc as in the month of December, 2019 all 125 licenses holding L-12/L-12F licenses were withdrawn by the Government forthwith w.e.f 20.12.2019. In this regard, the Government directed the Department to frame up new terms and conditions for grant of L-12/L-12F licenses. The new terms and conditions for grant of L-12/L-12F license were discussed in the committee and draft policy is annexed as Annexure F (colly).

APPROXIMATE REVENUE IMPLICATIONS OF THE PROPOSED REFORMS

Category	Current revenue (Rs)	Projected revenue (Rs)
Fees from Brand registartion	46.08 crores	60 Crores
Excise duty from Indian liquor	4057 crores	6412 crores*
Excise duty from foreign liquor	240 crores	
Excise duty from country liquor	216 crores	
License fee "on" the premises	170 crores	170 crores
Others like Export fee, Permit fee etc	300 crores	350 crores
License fee Retail licenses	39.62 crores	Rs 75 lakh per retail license = 846 x 75,00,000 = 634.5 crores 35 lakh per corporation vend = 70 x 35,00,000 = 24.50 crores Total revenue from retail licenses = 659 crores
TOTAL ⟶	5,068.7 crores	7651 crores

***Note 1:** The quota per vend fixed as Rs 7 crore will generate revenue to the tune of Rs 6412 crores. This is subject to the assumption that there would be no default by single licensee in their allotted quota target. However, the committee is of the considered view that 8% to 10% of the licensees may default in their target quota and a similar number of licensees may exceed quota target. The over all revenue estimated from Excise duty may vary from Rs 6000 to Rs 6500 crores.

Note 2: As already elaborated in para 1.1.3 of the report (page no 8), since IMFL business is recommended to shift to the model of Government wholesale Corporation, the additional duty component earned may be to the tune of atleast 3% to 4% of the total gross sale (presently Rs 12,000 crores per annum) which should result in an additional earning of Rs 360 crores to Rs 480 crores per annum.

Note 3: The lottery mechanism that is proposed every two years should bring additional revenue to the tune of Rs 100 crores to Rs 125 crores calculated on the proposed non-refundable lottery application fee of Rs 50,000 for 846 private licenses with an estimated 25-30 lottery applications per private retail license.

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Annexure D

OPERATIONAL MODALITIES FOR L1 WHOLESALE GOVERNMENT CORPORATION

1. CORPORATION L1 OPERATIONS:

Delhi Government Corporation wholesale licencee will be an extended arm of Delhi Excise department. The role of the corporation will be to provide warehousing facility and associated services for brands registered in Delhi as per the rules of Excise Department. This facility will be available only for wholesale licences for IMFL and there shall be no change in the wholesale mechanism vis-a-vis supply chain of foreign liquor and Country liquor.

1.1 Order for supplies: Supply to the corporation shall be based on the Order For Supplies (OFS) issued by it. To facilitate the process, the supplier may indicate the requirement of its brands and packs in various depots as per format through an online portal.

1.1.1 Space confirmation/OFS: OFS to act as confirmation from Corporation for availability of space. It will be allotted to company/brand.

1.1.2 Post confirmation of OFS, Import permit to be generated enumerating the factory (source) and corporation depot.

1.1.3 Excise duty on stock to be paid on generation of import permit.

1.1.4 Validity of OFS to be import permit days and one additional day

1.1.5 All stock movement to be controlled by 1D Bar coding.

1.1.6 On receipt of OFS and import permit, it shall be the responsibility of manufacturer/supplier to transport and unload goods at Corporation Depot

1.1.7 Finished Goods (FG) to be unloaded and scanned into the Depot. No manual GRN process to be followed

1.1.8 Transit insurance to be taken by the manufacturer/supplier

1.1.9 FG insurance at Corporation Depot to be taken by corporation.

1.1.10 Space allocation to brand/company at Corporation Depot:

1.1.10.1 Space to be allocated on the basis of last three month's sale of brands/SKUs.

1.1.10.2 Since Delhi is an importing state for all brands, Corporation L1 to hold inventory of 20 Days consumption/sale.

1.1.10.3 Space to be re-allocated once in three months of first year of operation. Subsequently, the exercise can be done once a year.

1.1.10.4 Stock vs target inventory to be maintained online with information access to all suppliers.

1.1.10.5 Deviation of 2% to be allowed on OFS to enable to load truck.

1.1.10.6 Any other deviation should not be allowed under any other circumstances unless approved by the Excise Commissioner.

1.1.10.7 OFS for new and Seasonal brands can be given on the basis of a written request post the brand registration. This would not exceed 1000 cases/SKU per depot.

1.2 Stock held for sale: Manufacturers /suppliers may note that supply of liquor to the Corporation against order for supplies shall be construed as an agreement to sell under subsection 3 of section 4 of Sale of Goods Act, 1930. The sale by the supplier/manufacturer and the purchase by the corporation shall conclude only when the liquor is delivered on sale to the retailer by the corporation. To the extent of such purchases each day, Supplier-wise depot-wise purchase shall be raised in the Corporation Depots. The corporation would take necessary care on the stocks held for sale as is reasonably possible and expected of it

1.3 Margin: The Corporation wholesale margin is to be decided by a Special Consultant Committee. As a result of depot operations, significant savings in terms of overhead costs, labour costs and rentals shall be made by the manufacturers who are also presently engaged in wholesale operations. As such, these savings must be taxed by way of levy of additional excise duty when the IMFL business shifts to this model of Government wholesale. Major portion of these savings should be taxed as an additional duty component and the rest shall go to the corporation as a small margin in order to make it self-sustaining. It is notable that the profits of the corporations are liable to income tax.

1.4 Breakage: Damages to the stock held for sale, as a result of any negligence of the manufacturer/supplier or the transporter (typical of these are bottles having hairline cracks resulting in study evaporation of the contents, quantity filled being less than the declared quantity, losses experienced if the day's production of beer is received in the Depot, damage due to weak carton boxes etc) would be to the account of the manufacturer/supplier. Any decision of the Corporation as regards the nature and quantum of such losses shall be final and binding.

Manufacturers/suppliers may, if they so desire, depute their representatives to verify such bottles and satisfy them.

1.5 Demurrage: Manufacturers/supplier may ensure that stocks held for sale are sold expeditiously. Stocks of liquor that are more than two months old in a particular depot would attract a penalty of Rs.150/- per carton box per month or part thereof. The penalty would be levied on the number of carton boxes more than two months old as on the last day of the previous month. This amount shall be recovered against the payments due to the manufacturer as the corporation makes available details of deliveries and sales through each of its depots, Manufacturers/suppliers shall be responsible for computing stocks aged two months or more in each depot.

If the manufacturer/supplier does not take necessary action to liquidate:

a. In case of Indian beer/Alcopop within five months of manufacture
b. In case of imported beer/alcopop 3 months before the expiry date.

Delhi corporation shall withdraw such stock from sale immediately and dispose it off by public auction provided that the manufacturer/supplier shall have an option to withdraw such stocks within 60 days from the date of expiry of period mentioned at a and B above, and that Public auction by Delhi Corporation shall be held only if manufacturer/supplier does not withdraw such stocks within lasted 60 days. The difference between the landed cost and the amount realised in the public auction shall be borne by the manufacturer/supplier. The manufacturer/supplier shall not have any further claim against the corporation in respect of such stocks.

However, any stock of beer lying unsold for a period of over six months from the date of manufacture or stocks of liquor declared unfit for human consumption at the depot shall be drained out/destroyed by the corporation. Any expenditure incurred by the corporation towards this shall be recovered from the manufacturer/supplier.

1.6 Inter depot transfers: Manufacturers/supplier shall have the liberty to effect inter depot transfer of stocks for easy and quick disposal, if in their opinion, such transfers would facilitate disposal of stocks. Manufacturers/suppliers shall furnish requests for such inter depot transfers through online application in prescribed format. The corporation may also, if necessary, initiate inter depot transfers. In either case, manufacturers/Supplier shall bear all expenses towards inter-depot transfers like permit fee, loading, transportation, Unloading, stalking, breakage, shortages etc. Transit insurance shall be the responsibility of the supplier/manufacturer. If for any reason, the corporation expends any amount towards the transfer, such amounts shall be immediately debited to the account of the manufacturer/supplier.

1.7. Sale from corporation to retail: Online order to be played by retailers post payment of entire amount excluding its own margin i.e. WSP and excise duty and VAT. With this, the stock would be blocked for retailers.

1.7.1 To ensure Orderly dispatch - depots to be allocated to each retail on the basis of geography/proximity.
1.7.2 Order and dispatch - this to be allocated to each outlet on the basis of geography (twice a week)
1.7.3 Retailer to arrange own pick up and loading

1.8 Payment for stocks sold: The excise department shall pay the manufacturer/supplier only for the stocks sold by Corporation to retail. Stocks held for sale by Corporation shall not be eligible for any payment. The amount payable to a manufacturer/supplier for the sales provisionally recorded during a certain period (called the Payment cycle) shall be computed and paid on the payout day. The payment cycle and the payout day maybe suitably modified to reckon intervening holidays. Manufacturer/supplier may please note that the amount payable would be computed in accordance with the landed cost of goods sold as on the date of sale, respective of the amount indicated in the orders for supplies/invoices of manufacturers/suppliers. Excise department to follow two day payment cycle. Payment release to suppliers should be fixed for twice a week.

Sale transaction	Payment
Monday – Wednesday	Friday
Thusday - Sunday	Tuesday

Any amounts to be recovered from the manufacturer/supplier due to demurrage, wrongful payment, penal charges, interest, differential duty and other dues if any as directed by the government etc. shall be recovered out of the amounts payable. The Excise Department would provide a statement of provisional sales recorded to facilitate reconciliation. Any missing data due to delays/failures in electronic transfer of data shall be reckoned in the succeeding payment cycle and adjusted.

Payment by the Excise Department would only be through a transfer directly to the bank account of the manufacturer/supplier. To facilitate such transfers, manufacturer/supplier should share details of bank account to Excise department. No payment by any other mode is allowed.

1.9 Information to suppliers: The Excise Department to provide brand wise details of sale, sales trend, market share, etc effected during the day at each depot to manufacture/supplier. Such information shall be made available on portal with login ids shared with manufacturer/supplier. Information under RTI Act will be furnished in accordance with the provisions of the said Act.

All critical details like deliveries affected, sales, damages, etc., would be made available through online portal of Excise Department. All manufacturers are required to verify the data and point out discrepancies, if any. If requested by the manufacturer/supplier, the Excise Department would provide an extract of all transactions for facilitating reconcilation with corporation. Manufacturers/suppliers may verify the statement and point out instances of differences, if any, within the next two months. The Excise Department would, after confirmation, initiate corrective action.

1.10 Inspection and Supervision: The manufacturer/supplier shall offer all facilities to the corporation for supervising and verifying various activities like manufacturing, measuring, bottling, sealing, loading, transporting, unloading, etc.

1.11 Compliance with laws: The manufacturer/supplier shall comply with the requirements of all laws, which are applicable, including timely remittance of tax dues and filling of returns.

1.12 Arbitration: Any dispute that may arise between the manufacturer/supplier and the Corporation shall not be submitted to arbitration. Only the jurisdiction of courts within the NCT of Delhi shall apply to disputes.

1.13 Indemnity: The manufacturer/supplier shall keep the Corporation harmless and indemnified in all matters arising from supply of the liquor to the Corporation and its subsequent disposal. Any third party claims arising from any buyer or consumer shall be settled by the manufacturer/supplier at his cost.

More sepcifically, the manufacturer/supplier shall indemnify the Corporation and keep it harmless with respect to:

- Non-compliance with the standards specified by the Corporation.
- Non-conformation witht the provisions of various laws in force; and consequences, losses or claims (including claims of additional duty rasied by the Government of Delhi) more specifically, the non-remittance and short remittance towards the duties statutorily payable.
- Any claims of infringement of patent, trademarks etc., relating to liquor delivered.
- Any breach of the agreement entered by the manufacturer/supplier with any brand owner for the purpose of bottling, manufacturing or otherwise.

1.14 Jurisdiction: All transactions of the Corporation with the manufacturer/supplier shall be subject to the exclusive jurisdiction of DELHI.

ALTERNATE OFS/ ORDERING PROCESS AT L1 DEPOTS

Order Generation at L1 Depot (to replace OFS generation 1.1.10)

- Retailers to provide next month's stock requirement to respective corporation Depot by 20th of previous month
  - Stock requirement should be placed week-wise
  - Details of brand and SKU to be provided
- On the basis of Stock requirement placed by retailers, corporation L1 to generate depot wise OFS and the subsequent process to continue (1.1 Order for Supplies as outlined in the operational modalities at Annexure – D)

Pros	Cons
OFS generation based on future demand	Retailers' ability to forecast future requirements is a bit suspect.
	No flexibility to change OFS due to change in demand in the market. There can be situation of inventory blockage.
	Retailers to block working capital according to the forecast given for surety of lifting of demanded stocks
Supply requirement will be shared with manufacturers on 22nd of previous month. OFS to be generated for entire month which will help in timely dispatch of goods from factory to depots.	Demurrage Process • Ambiguity in demurrage process as suppliers/ manufacturers cannot be penalized on non-depletion of stock, since un lifted stock will be lying at L1 depots
	This process will create difficulty in launching new brands and sale of seasonal category brands

Considering the limitation of working capital blockage, inability to make accurate forecast by retailers for large number of brands registered in Delhi, ambiguity in demurrage/ storage allocation, and most importantly, for a completely importing state like Delhi, no reserve stocks could be built in this model, this model is inferior to the supply-driven model discussed earlier. The fact that during summer season, Delhi faces beer shortages many a times as a result of imposition of ban by neighbouring producing states is a case in point for the need to maintain certain levels of inventory.

Annexure E

FEE STRUCTURE FOR L-17/L-17F LICENSES

*Category of Restaurant Based on Area Categories A to H (ref. categorization of Revenue Department)	Existing license fee for Excise year with 10% increase from last year, based on seating capacity		No. of licenses upto 31.03.2020	Proposed License fee
Upto 90 sqmtrs (A+B+C)	**Upto 50 seats**	925641	220	1200000
Above 90 sqmtr (A+B+C)	**Upto 100 seats**	1315381	181	1800000
Upto 90 sqmtrs (D+E+F+G+H)	**Upto 200 seats**	1753846	240	900000
Above 90 sqmtr (D+E+F+G+H)	**Above 200 seats**	2241026	114	1350000

•The data has been prepared assuming that all the restaurants running with upto 50 seat covers are having area below 90 sq mtrs.

EXISTING FEE STRUCTURE FOR L-18/L-18F LICENSES

	Existing License fee		
Seating Capacity	Annual L-18 Fee	Annual L-18F Fee (10% of L-18 Fee)	Annual L-18/L-18F Fee
Up to 50 covers	4,42,891/-	44,289/-	4,87,180/-
Up to 100 covers	6,20,047/-	62,005/-	6,82,052/-
Up to 200 covers	7,97,203/-	79,720/-	8,76,923/-
Above 200 covers	9,74,359/-	97,436/-	10,71,795/-

IN ORDER TO PROMOTE LESS ALCOHOLIC BEVERAGES, IT IS PROPSOED THAT THE LICENCE FEE FOR L-18/L-18F SHOULD BE FLATTEN AT RS. 2,50,000/- IRRESPECTIVE OF THEIR SEATING CAPACITY OR AREA.

FEE STRUCTURE FOR L28/L28F

The license fee for the Clubs having L-28/L-28F license varies on the basis of number of members it has. It is proposed that the license fee for L-28/L-28F license license be also calculated on similar basis as recommended for the restaurants i.e. based on the categorization of area/locality given by Revenue Department.

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"ANNEXURE F"

OFFICE OF THE COMMISSIONER OF EXCISE
GOVT OF NATIONAL CAPITAL TERRITORY OF DELHI
L& N BLOCK, VIKAS BHAWAN, I.P. ESTATE, NEW DELHI-110002.

TERMS AND CONDITIONS FOR GRANT OF L-12 /L-12F LICENCE FOR THE LICENSING PERIOD 2020-2021 AND ONWARDS.

TERMS AND CONDITIONS FOR GRANT OF LICENCE IN FORM L-12 (RETAIL VEND OF BEER, WINE ,ALCOPOP, MIXED ALCOHOLIC BEVERAGES & LIQUEUR IN DEPARTMENTAL STORES) AND L-12F (RETAIL VEND OF IMPORTED FOREIGN WINE, BEER, ALCOPOP, MIXED ALCOHOLIC BEVERAGES & LIQUEUR IN DEPARTMENTAL STORES TO HOLDERS OF L-12 LICENCE) FOR THE EXCISE YEAR 2020-2021 FOR THE RETAIL SALE OF BEER,WINE,ALCOPOP, MIXED ALCOHOLIC BEVERAGES & LIQUEUR & IMPORTED FOREIGN BEER,WINE,ALCOPOP, MIXED ALCOHOLIC BEVERAGES & LIQUEUR IN THE NATIONAL CAPITAL TERRITORY OF DELHI FOR THE LICENSING PERIOD 2020-2021 AND ONWARDS.

Licence in Form L-12 for retail sale of Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur in Departmental stores & in Form L-12F for retail sale of Imported Foreign Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur in the National Capital Territory of Delhi shall be granted by the Government for the year 2020-2021 in accordance with the following terms and conditions:-

1. LICENCE FEE

1.1 L-12 Licence will be issued on payment of Licence Fee of Rs. 5,00,000/- (Rupees Five Lakhs only) for licensing year 2020-21, (Payable only in respect of the remaining part of Excise Year including the quarter in which the Licence is granted.) The fee for quarter would be one-fourth of the Annual Fee. This is further subject to security deposit of Rs. 5,00,000/- (Rupees Five Lakhs only) in the form of Bank Guarantee in favour of Deputy Commissioner (Excise), Delhi.

1.2 L-12 & L-12F Licences so issued shall be for the grant of permission to sell Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur subject to the payment of Excise Revenue as prescribed under section 26 of Delhi Excise Act, 2009 and other duties and levels as would be prescribed by the Excise Department.

1.3 L-12 Licencee shall pay an additional 10% of Licence Fee for L-12F Licence, in case of grant of L-12F licence.

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2. ELIGIBILITY TO HOLD LICENCE

2.1 a) A licence shall be granted to the Departmental stores run by:

(a) An Individual;
(b) A Body incorporated under Companies Act, 1956;
(c) A Society registered under the Co-operative Society Act;
(d) A Partnership firm registered under Limited Liability Partnership Act, 1932.
(e) A Limited Liability partnership firm registered under Limited Liability Partnership Act, 2008.

b) When a license is granted to:-

(a) a partnership firm or a limited liability partnership firm, names of all the partners;
(b) a company incorporated under the Companies Act, 1956, names of all the Directors;
(c) a Co-operative society, names of the President, Secretary and the Treasurer;

Shall be specified in the Licence.

Explanation:- Departmental store should have carpet area of at least 2000 (Two thousand only) Sq. Feet (excluding the office space) and in case of multistory premises minimum 1000 Sq. Feet per floor.

2.2 The applicant should be in actual lawful possession of a Departmental Store having carpet area of more than 2000 (Two Thousand only) sq.ft, (minimum 1000 sq. feet per floor) in notified commercial market/ Street or Shopping Malls. Further, in case the said proposed premises where the licence is to be granted lies in a non-permissible area, the same may be considered with the prior approval of the Government.

2.3 The proposed Departmental Store should not be located within 100 (One Hundred only) meters from the following:-

a. Major Educational Institutions (Middle and Higher Secondary Schools and Colleges and other Institutions of higher learning, recognized by the Govt. of NCT of Delhi or Govt. of India).
b. Religious Places having pucca structure with a covered area of more than 400 (Four Hundred only)sq. ft.

c. Hospitals with fifty beds and above.

2.4 No application for the grant of L-12/L-12F Licence shall be considered for Departmental Stores functioning at Petrol Pumps.

2.5 Only one L-12 Licence shall be granted to Company registered under Companies Act, 1956 or a Partnership Firm registered under Partnership Act, 1932 or a Society registered under the relevant Co-operative Society Act or a Sole/ Individual Proprietor. A chain of departmental Stores having annual turnover of more than Rs. 2 Crores (Rupees Two Crores only) for non-liquor items **(Excluding items on 0% GST rates)** in Delhi will be eligible to apply for separate licenses with Rs 1 crore (Rupees one crore only) annual turnover for each of its Store. The condition of minimum annual turnover of Rs. 2 crores (Rupees Two Crores only) will not apply to a chain of Departmental Store under public Sector.

2.6 The applicant should have pre-existing Departmental Store, operational for at least twelve months prior to the date of application. However this condition shall not be applicable in case of a new/recently opened Departmental Store belonging to a chain of Departmental Stores having annual turnover of more than Rs. 2 Crores for non-liquor products.

2.7 The applicant should have an annual gross turnover of Rs. 1,00,00,000/- (Rupees One Crore only) or more for non-liquor items **(Excluding items on 0% GST rates)** at the time of making the application while adhering inter alia to all other terms & conditions specified herein..

2.8 L-12F license shall be granted only to the holder L-12 Licence.

3. HOURS OF SALE AND DRY DAYS

3.1 Sale of Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur shall be allowed between **10.00 A.M to 10.00 P.M. only.**

3.2 All days of religious importance and such other days as considered appropriate will be declared as "Dry Days" in addition to Dry Days normally declared. The L-12 Licencee shall not be entitled to any compensation or relief due to any increase in the number of Dry Days or due to change in the hours of sale of Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur in the Departmental Store during the licencing year.

4. PROCEDURE TO APPLY

4.1 The application for grant of L-12 License shall be submitted in the prescribed form (Annexure-I) along with requisite documents or any working day in the office of the Deputy Commissioner (Excise), Govt. of NCT of Delhi, along with a fee of Rs. 50,000/- (Rupees Fifty Thousand only) (Non-refundable). Only those applications, which are complete in all respects, shall be considered for grant of the L-12 License. Incomplete applications shall be rejected and the application fee shall stand forfeited.

4.2 The applicant shall be required to submit the following documents along with the application:-

(a) Proof of lawful possession of the Departmental Store i.e. a copy of registered Sale/Conveyance/Gift Deed in case of self owned property or copy of registered Lease/ Rent Deed in case of a rented property.
(b) An Affidavit in form prescribed at **Annexure II**;
(c) An attested copy of Registration Certificate issued by VAT Department/ Goods and Services Act, 2017;
(d) Income Tax Clearance Certificate or a copy of Permanent Account Number (PAN) along with a copy of the latest Income Tax Return filed by the applicant or the latest Income Tax Assessment Order in respect of the applicant;
(e) The annual sales (gross turn over) statement for the sales conducted by the Departmental Store clearly specifying the sale of taxable goods as per the provisions of Goods and Services Act, 2017;

4.3 The information as required for this purpose in the application form shall be furnished with complete details truly and faithfully as to enable processing the applications for grant of L-12 licence. The applicants shall not be entitled to any relief for compensation on account of delay in the finalization of case for the grant of L-12 Licence.

5. OTHER CONDITIONS OF LICENCE

5.1 Every license shall be granted subjected to the conditions that the Licensee shall comply with the provisions of the Delhi Excise Act, 2009 the Rules framed there under, Terms and conditions of grant of L-12 License and orders issued by the Excise Commissioner from time to time.

5.2 L-12 licencee will be entitled to retail sale of Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur at the retail price fixed by the Excise Department.

5.3 The licensee will ensure that the operation of L-12 Vend is totally computerized having facility of bar-code scanners. Billing should only be through automatic decoding of bar codes through the scanners.

5.4 The L-12 Licensee shall procure Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur from L-1 Licensee only and L-12F Licensee shall procure Foreign Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur from L-1F Licensee only.

5.5 The Departmental Store having L-12/L-12F license shall maintain appropriate records as specified by the Excise Department as in case retail vends in Form 2, Form 3 and Form 25.

5.6 The Licensee shall give to the Deputy Commissioner (Excise) a declaration in writing by the 8th day of every month certifying that he has declared all outstanding excise revenues and other dues recoverable from him. The Deputy Commissioner (Excise) or any Assistant Commissioner/Excise officer may refuse to issue any passes or permits to the licensee in the absence of such declaration or any sufficient reasons, to be recorded in writing, if he has reasons to believe that the Licensee has not, on demand paid any dues recoverable or dues payable on account of undue pecuniary benefits obtained by the License holders due to furnishing of wrong information or/and suppressing the material information furnished to the Department at the time of initially applying for the License. The L-12/L-12F Licence shall not be entitled to any compensation or relief on account of such refusal.

5.7 (a) The Licensee shall be allowed to store and sell Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur in 10% of the carpet area of the Departmental Store, separately earmarked for Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur.

(b) L-12F Licensee shall be further allowed to store and sell imported Foreign Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur in an additional 5% of the carpet area of Departmental Store.

(c) Refrigerators/Chillers shall be allowed for refrigeration of Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur.

5.8 The applicant shall submit monthly statement as prescribed in Form 11, of sale of Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur and other products separately by the 7th day of every following month.

5.9 The renewal of L-12/L-12F Licences will be subject to fulfilling of all the Terms and Conditions applicable for grant of fresh License.

5.10 No person to whom License has been granted shall be entitled to claim renewal thereof and no claim shall lie for damages or otherwise in consequence of any refusal to renew a License on the expiry of the period for which the same remain in force.

5.11 For introduction of the Excise Supply Chain Information Management System (ESCIMS), the standard operating procedures for barcode implementation shall be made available to all L-12 & L-12F licensees of the Department of Excise, Entertainment and Luxury Tax of NCT of Delhi, who shall be required to procure, install and make necessary provisions for IT and non IT infrastructure at his licensed premises as may be required for successful implementation of the Excise Supply Chain Information Management System.

5.12 The licensee must install CCTV Cameras at appropriate places with the minimum coverage of 50 meters in and around the store and archival period of minimum 30 days.

5.13 The licensee may be allowed to issue P-10 permits as in the case of retail licenses for Beer, Wine, Alcopop, Mixed Alcoholic Beverages & Liqueur.

6. GRANT OF LICENCE

6.1 All the applications for the grant of fresh L-12/L-12F Licence shall be subject to the acceptance by the specified Competent Authority. The Licensing Authority of the Government shall be under no obligation to grant any License for which application has been made.

6.2 An applicant whose application is accepted shall complete the formalities as prescribed, immediately on being informed.

7. PREMISES

7.1 The Licensed premises shall be a pucca building, the land use of which is commercial duly approved by DDA/MCD/NDMC or any other local body and shall confirm to the orders and instructions issued by the Excise Commissioner from time to time.

7.2 The Licensed premises shall have adequate storage facilities, proper Electrical Fittings and shall be duly insured against Fire and Natural Hazards.

7.3 The licence premises shall not lie in a non-permissible area. In case, the licence premises lies in a non-permissible area, the same may be considered with the prior approval of the Government..

8. PAYMENTS

8.1 The Licensee shall make all the payments to the Government in connection with the operation of his License in cash or by bank draft drawn in the name of Deputy Commissioner (Excise), Government of NCT of Delhi.

8.2 The Licensee shall pay simple interest @12% p.a. from the date on which any payment recoverable from him, under Section 30 of the Delhi Excise Act 2009, becomes due to the Government until the date such payment is actually made of such amount recovered.

8.3 The Licensee shall not be entitled to any interest or any other relief or compensation on account of any delay in the payment of any amount due to him by the Government.

9. PROHIBITION

9.1 In pursuance of the Directive Principles of the State Policy relating to prohibition as contained in Article 47 of the Constitution of India, the Lt. Governor of the NCT of Delhi may issue orders and directions from time to time and such orders and directions shall be binding on the Licensee and no compensation shall be payable on that account.

9.2 The Licensee shall inter-alia abide by the following prohibition measures namely:

i. The licencee shall display a notice board prominently in front of the licenced premised declaring that **"Drinking of Liquor is injurious to Health"**.

ii. The Licencee shall neither sell liquor to persons who are below 25 years of age nor shall employ any person under the age of 21 (twenty one) years or suffering from contagious disease.

iii. The Licencee shall not advertise any liquor product or any products having similar nomenclature of a liquor brand in the electronic media, unless such advertisement conforms to the Programme Code and Advertisement Code as laid down in the Cable Television Network (Regulation) Act, 1995 (7 of 1995) and the rules made there under.

iv. No person shall print or publish in any newspaper , book, booklet, leaflet or any other publication or otherwise display or distribute any advertisement or other material soliciting the use of or offering any liquor or intoxicating drug or any other product having nomenclature similar to a liquor brand.

10. The Licencee shall be bound to furnish any information in connection with L-12/L-12F License truly and faithfully within the time prescribed by the Commissioner or the Deputy Commissioner or Assistant Commissioner or Excise Inspector. Any refusal to furnish the information, furnishing of false information or non-compliance of the orders will be regarded as breach of the Terms and Conditions of the Licence. Breach of Terms and conditions may also result in non-issue of Transport Permits or suspension/cancellation of Licence.

11. POWER TO SUSPEND OR CANCEL LICENSE AND FORFEITURE OF SECURITY

1) The Authority granting L-12 license may suspend or cancel the license as provided under Section 17 of the Delhi Excise Act, 2009 in the following circumstances, after giving reasonable opportunity of being heard:-

a) If the licence is transferred or sublet by the holder thereof without the permission of Licensing Authority;

b) If any excise revenue payable by the holder thereof is not duly paid;

c) In the event of any breach by the holder of licence or by his servant or by any one acting on his behalf, with his express or implied permission, of any of the Terms and Condition of the licence;

d) If the holder of license or his agent or employee is convicted of an offence punishable under Delhi Excise Act, 2009 or any other law for the time being in force, relevant and connected with Excise matter relating to Excise Revenue or of any cognizable and non bailable offence under any other relevant law;

e) If the purpose for which the licence was granted, ceases to exist;

f) If the licence has been obtained through misrepresentation or fraud.

2) The Licensing Authority may order forfeiture of part or whole of Security Amount in case of breach of any of the Terms and Conditions of L-12/L-12 F Licence.

12. The Terms & Conditions of the Delhi Excise Act, 2009 and Delhi Excise Rules, 2010 and all orders/directions issued there under shall be deemed to form an integral and inseparable part of the Terms and Conditions as if they were expressly set out in the Terms & Conditions for grant of L-12/L-12F licence. Applicants are also herby advised to access, read and understand the same before applying.

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ANNEXURE-1

APLICATION FORM FOR GRANT OF L-12/L-12F

1	NAME OF THE APPLICANT (COMPANY/PARTNERSHIP FIRM/SOCIETY/INDIVIDUAL PROPRIETOR)	
2	ADDRESS OF THE APPLICANT	
3	STATUS OF THE APPLICANT (VIZ. PROPRIETOR/PARTER/ DIRECTOR ETC.)	
4	NAME OF THE DEPARTMENTAL STORE	
5	ADDRESS OF THE DEPARTMENTAL STORE	
6	**I.** NATURE OF POSSESSION OF PREMISES (WHETHER ON LEASE OR OWNED-ATTACH COPY OF PROOF) **II.** DATE OF POSSESSION	
7	DETAILS OF REGISTRATION CERTIFICATE WITH DEPTT. OF GST/VAT: **I.** DATE OF GRANT OF CERTIFICATE **II.** DATE OF VALIDITY OF CERTIFICATE	
8	TOTAL CARPET AREA OF THE DEPARTMENTAL STORE	
	LENGTH:	
	BREADTH:	
	TOTAL (IN SQ FEET)	
9	AREA EARMARKED FOR DISPLAY AND STORAGE OF BEER/WINE IN THE DEPARTMENTAL STORE	
	LENGTH:	
	BREADTH:	
	TOTAL (IN SQ FEET)	

10	WHETHER PREMISES IS FITTED WITH FIRE SAFETY EQUIPMENTS	
11	TURNOVER OF THE DEPARTMENTAL STORE OVER LAST ONE YEAR:	
	i) Sale of Taxable (VAT) Goods	
	ii) Sale of Tax Free Goods	
	iii) TOTAL	
12	DETAILS OF BANK ACCOUNT OF THE APPLICANT	
	ACCOUNTS NO.	
	NAME & ADDRESS OF BANK	
13	PERMANENT ACCOUNT NUMBER (PAN) OF THE APPLICANT	
14	WHETHER FACILITY OF COMPUTERISED BILLING SYSTEM IS AVAILABLE AT THE DEPARTMENTAL STORE	
15	LIST OF DOCUMENTS ATTACHED WITH THE APPLICATION FORM	1) 2) 3) 4) 5) 6) 7) 8) 9) 10)

Dated:

Signature________________

Name________________

(Seal of Firm/Company)

CHECK LIST FOR APPLICATION FOR GRANT OF L-12 LICENSE

SL. NO	DOCUMENTS	PAGE NO.
1)	Proof of residence (copy of Elec. I Card/Passport/Driving License)	
2)	Copy of Partnership Deed/Memorandum/ Article of Association	
3)	Copy of Lease Deed/Sale Deed/Conveyance Deed/Gift Deed etc.	
4)	Copy of NOC from Land Lord in case of leased premises.	
5)	Documentary proof in support of area of premises which is being used as Departmental Store	
6)	Copy of documents in support of premises being located in a Commercial Complex/Area recognized by DDA/NDMC/MCD	
7)	Copy of registration Certificate with GST/VAT	
8)	Copy of latest Bank Account Statement	
9)	Copy of PAN CARD	
10)	Copy of latest filed Income Tax Return	
11)	Layout plan of Departmental Store indicating the area earmarked for storage, display & sale of Beer/Wine	
12)	Affidavit as per Annexure-II	
13)	Proof of deposit of Application Fee	
14)	Copy of VAT/GST Returns for at least one year prior to date of application.	

Signature________________

Name________________

(Seal of Firm/Company)

ANNEXURE-II

AFFIDAVIT

I, ____________S/o or D/o or Authorized Representative of ________________, R/o ___________________________, do hereby solemnly state and affirm that:

1) I am a Citizen of India.

2) I or the Applicant Company is not a defaulter or black-listed or debarred from holding an Excise License;

3) I possess good moral character and has no criminal background and has not been convicted of any offence punishable under Delhi Excise Act or other relevant Acts;

4) I or the Applicant Company is not in arrears of any Government or Public dues;

5) I or any of my family members do not hold any Excise License.

6) I am (or The Applicant Company is) solvent and has the necessary funds or has made arrangements for it, for conducting the business;

7) I am (or The Applicant Company is) running the Departmental Store by the name _______________ w.e.f. ___________ and the gross turnover of the firm/ company during the last year was Rs. ________ (Rupees ______________).

8) The total taxable turnover of the Departmental Store during the last one year has been Rs.________________ (Rupees ______________ only);

9) I am (or The Applicant Company is) in actual physical possession of the premises measuring ______________ sq. feet of carpet area and the premises has not been constructed in violation of any law;.

10) The business premise is owned by me or _________ and has been taken on a monthly rent of Rs. __________ (Rupees _______________) for a period of ______________ months.

11) I (or The Applicant Company) solemnly undertake to comply with all the provisions of the Delhi Excise Act, 2009 and the Rules framed there under namely Delhi Excise Rules, 2010 in totality without any exception.

(Deponent)

Certified that the facts mentioned above are true and correct and nothing has been concealed there from, which if proved otherwise is liable to cancellation of the license so granted.

(Deponent)