

Zero discounts, smaller stores: What's new in old excise rules

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NEW DELHI: Customers are facing several changes as they buy liquor in Delhi from Thursday with the city switching back to its old excise policy from September 1. Discounts on MRP of liquor, and "buy one get one" offers are not available, and neither are discounts on wholesale purchase. In place of privately run stores, all vends are now being run by four Delhi government agencies, and the average size of these stores is smaller in comparison to the private stores.

To be sure, all the newly set up government stores are over 300 square feet in size, going up to 1,000 sq ft -- much larger than the government stores that operated before the now-withdrawn 2021-22 policy had kicked in.

There is, however, still some lack of clarity on one key issue -- the number of dry days in the city, which were reduced from 21 to three in November 2021.

"The number of dry days may not suddenly change under the new policy because dry days are governed by the Delhi Excise Act, 2009 and not by the policy," a Delhi government official explained. "The government usually takes a decision about the number of dry days towards the end of the year. According to that decision, the number of dry days is fixed every year. The number of dry days will change only when the government takes a decision in this regard."

The reduction in dry days has also been a bone of contention between the elected government and the LG in recent months.

In terms of pricing, higher value added tax (VAT) is back. Now, 25% VAT will be charged on the wholesale price of liquor, which was reduced to 1% under the new policy in which the Delhi government merged VAT and excise duty with licence fee, and charged the money upfront rather than taking a cut per bottle sold.

In fact, the new excise policy eventually flopped as the move to replace the sales-volume based system with a licence fee one did not generate enough

returns. This led to the Delhi government and the Union government's representative in charge of it, the Lieutenant Governor, trading blame over the failure -- with the latter alleging corruption by the former; and the former claiming that the current LG VK Saxena's predecessor, Anil Baijal, made last-minute changes that militating against the opening of stores.

A CBI inquiry is now underway on alleged irregularities in the 2021-22 excise policy, and deputy chief minister Manish Sisodia -- who denies any wrongdoing -- is one of the people named in the FIR.

An official in the excise department explained that excise duty varies according to the brand, and will be as high as 300% on some products. "The imposing of VAT and excise duty on wholesale prices will not lead to increase in the price of liquor. In the new excise policy, VAT and excise duty were negligible because they were merged with the licence fee. Now the licence fee is very low as compared to what it was earlier," said the official, asking not to be named.

The licence fee for government-run liquor vend is ₹4 lakh for a year. The licence fee for a zone under the 2021-22 policy was around ₹250 crore and 27 liquor vends were allowed to be opened in one zone. The commission for wholesalers will decrease from 12% under the new policy to 5% under the old policy. The brand licence fee -- what a brand has to pay to be available in the market -- is now back to ₹25 lakh as against ₹1 lakh under the 2021-22 policy.

"Nearly 350 liquor vends have opened from Thursday and all the remaining vends against which licences have been issued are at different stages of being ready for opening. They all will be opening by next week," said an official, saying the total number will hit 500.

Vinod Giri, director general, Confederation of Indian Alcoholic Beverage Companies (CIABC), said the switch to all government retail outlets has led to some changes in the rules and regulations governing the sale of liquor. "The excise department has ensured a smooth and quick transition in a short span of time. People will not face any problems because they have been accustomed to the old excise policy for a very long time. The government should ensure supply of some popular brands quickly which are currently not available in the liquor stores," he said.



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