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COMPARITIVE STUDY OF STATE TAXATION POLICY ON LIQUOR IN INDIA

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ABSTRACT

The paper aims to discuss about the human consumption of liquor and revenue generated from it by different States. It compares different taxation policies of the states in India. The study seeks to analyze the variations in tax rates, structures, and policies across different states and their implications for liquor consumption, revenue generation, and socio-economic factors. The research analyzes implementation of old tax regime rates i.e.VAT, excise duty etc. instead of GST rates on consumption of human liquor. The power of State government to deal with liquor while considering the constitutional provisions. The study shows the impact of tax rates on revenue generation and the factors influencing such tax rates. The study explored the revenue generation potential of different tax policies across states. Furthermore, the paper highlights the reasons why liquor used for human consumption was not brought under the Goods and Services Tax. Owing to the research, it also gives a rough sketch of alternative tax policies which could be adopted for taxation on alcohol used for human consumption, which could be used by the various state governments potentially. Through this research paper, we intend to provide valuable insights for policymakers, researchers, and stakeholders involved in shaping effective taxation policies on liquor at the state level in India.

KEYWORDS- Liquor consumption; State taxation rate; GST; Revenue and State Power.

INTRODUCTION

Taxation policy on liquor in India has been a subject of significant importance and debate for decades. As one of the largest consumers of alcohol in the world, India's approach to taxing liquor has far-reaching implications for public health, revenue generation, and social attitudes towards alcohol consumption.The taxation policy on liquor in India plays a very crucial role in revenue generation for the state. The Constitution of India provides the state the power to make laws dealing with alcohol. Each state legislates its own taxation policy on liquor. Tax rates not only increases the revenue but also plays an important part in fulfilling socio-health factor. The high tax rates increases the price of liquor, which impacts the consumption pattern. It aims to discourage excessive drinking and minimize the associated social and health problems, such as addiction and alcohol-related crimes. The States levy tax rates for liquor to generate revenue. The diverse tax policies across the country have emerged various factors, including state-specific revenue objectives, political considerations, cultural norms and medical conditions. Each state determines its own tax rates, structure and policies on liquor consumption. Different kinds of tax rates are imposed at different stages. GST is levied on the input of human liquor while excise duty, VAT, license fees are levied on the output or on the final manufacturing of liquor. This will be discussed in more detail in the later part of this paper. The position of alcohol industry has undergone significant change after the amendment of the Industrial development and regulation act,1956. After amendment, state had the following powers in respect of alcohol-

A) It may pass legislation on the prohibition of potable liquor read under Entry 6 of the List II and regulating powers.

B) It may lay down rules and regulation to ensure that non portable alcohol is not misused.

C) State have power to charge excise duty and sales tax on potable alcohol under entry 52 of list II.

D) State can also charge fees for rendering services and also grants based on quid pro quo.

In the recent times, discussions on liquor taxation have gained momentum. The covid19 had also impacted on the demand and supply of liquor, further it had mitigated the taxation policy dealing with liquor.As India continues to evolve and address the complex dynamics of alcohol consumption, the formulation,implementation and management of an effective tax policy on liquor remains pivotal. Impinging an accurate balance between revenue generation, public health considerations, and cultural sensitivities is an appropriate way to ensure a sustainable and responsible mode towards the taxation of liquor in India. This research paper will also focus on alternative policies which can be suggested to the central and state governments for the proper functioning of the liquor industry. The comparative study of different tax rates by the states will offer a comprehensive understanding of the variations, implications, and potential areas of improvement within the existing framework. The policy maker can use the best approach for making policy and generating revenue from alcohol. The paper also covers the jurisprudence approached by the judiciary to ensure the clear division of the powers of the state and central government to levy taxes on spirits and alcoholic mixtures as envisaged by the Constitution of India.

LITERATURE REVIEW

Articles:

1. Whether income tax exemption can be granted on serving liquor? An analysis.

(https://primelegal.in/2023/01/22/whether-income-tax-exemption-can-be-granted-on-serving-liquor-an-analysis/)

The exclusion of alcoholic beverages from the Goods and Services Tax (GST) in India has notable impacts on the liquor industry. While it ensures that state governments retain their revenue share, it results in high tax rates on liquor, which serves as a measure to limit consumption but can also affect the profitability of producers. The complex tax structure, with different taxes and regulations in various states, adds to the challenges faced by the industry. Moreover, the introduction of GST has led to increased input costs as raw materials and transportation expenses are subject to higher taxes, which are passed on to consumers in the form of higher liquor prices. The non-availability of Input Tax Credit (ITC) further compounds the cost burden. This can impact the affordability of quality liquor for consumers and limit their choices. Overall, the exclusion of alcoholic beverages from GST has wide-ranging implications for the industry, state revenues, consumer behavior, and the overall tax structure.

2. Liquor Laws of India: From the Raj to the Republic

(https://lawessential.com/constitutional-law/f/liquor-laws-of-india-from-the-raj-to-the-republic?blogcategory=Constitutional+Law)

This article provides an overview of the historical background and current laws surrounding liquor production, consumption, and prohibition in India, as well as the perspective of courts on the subject. During the colonial period, the British Raj focused on generating revenue from alcohol while simultaneously condemning its use. The decentralization of alcohol production and distribution posed challenges, leading to the enactment of the Bombay Abkari Act in 1878. Currently, each state in India has its own set of laws governing liquor, including minimum legal drinking age and excise policies. Courts have deliberated on the fundamental rights of citizens, the duty of the state to improve public health, and the right to privacy in relation to liquor consumption and prohibition. Conflicting judgments have been delivered, showcasing the ongoing conflict between state governments and courts. The article concludes by highlighting the need for lawmakers to address the complexities surrounding liquor in India.

3. Taxing alcoholic spirits in India: The litmus test of potability

(https://www.internationaltaxreview.com/article/2a6ab6uyjg7ixq70ge1og/taxing-alcoholic-spirits-in-india-the-litmus-test-of-potability)

The literature on the taxability of spirits like rectified spirit (RS) and extra neutral alcohol (ENA) in India is limited, with most of the information available in legal and industry publications. The issue has gained attention due to conflicting interpretations and clarifications from state departments, creating ambiguity for the spirit manufacturing industry. It highlights the constitutional provisions that grant exclusive power to the State Legislature to tax the manufacture and sale of alcoholic liquor for human consumption, while exempting it from GST. It also discusses the jurisprudence surrounding the definition of "alcoholic liquor for human consumption" and the applicability of excise duty. The literature emphasizes key court rulings, such as *Synthetics and Chemicals Ltd. v. State of U.P.*, which established that industrial alcohols not fit for human consumption are not subject to state excise duty. Other cases, like *Bihar Distillery v. Union of India*, presented differing viewpoints on spirits that can be diluted for human consumption. Overall, the literature emphasizes the need for a clear interpretation of the phrase "alcoholic liquor for human consumption" and urges the resolution of the ongoing dispute to provide certainty and clarity for the industry.

Journals:

1. Christ University Law Journal, Case Comment: The Highway Liquor Ban Case: State of Tamil Nadu v. K. Balu & Others.

The issue addressed in this case was the presence of liquor vends on National and State Highways in India, which contributed to a high number of road accidents and fatalities. The Supreme Court's judgment aimed to prohibit the issuance of liquor licenses to these vends, prioritizing the safety of highway users. The Court highlighted the alarming statistics of road accidents, with one occurring every four minutes in India, and identified drunk-driving as a major cause. The Court's proactive approach to reducing road fatalities is commendable, but the absence of a clear test for denotifying highways has led to arbitrary actions by state governments. The pressure on urban local bodies to maintain denotified highways has increased. Establishing a guiding test, enforcing penalties for drunk-driving, and permanently prohibiting liquor sale on highways can help solve the problem effectively.

2. Canadian Tax Journal, Taxation in ancient India

In ancient India prior to the eighth century A.D., public finance was a practical consideration for the ruling states, although ethical principles were also valued. The available sources of information on this period include inscriptions and literary texts. Inscriptions like those of Asoka and the Gupta dynasty provide some insights into finance, but for a more comprehensive understanding, literary sources must be consulted. Among these sources, the most significant is the Arthasastra, believed to have been written in the fourth century B.C. by the Chief Minister of the Maurya empire. This treatise offers detailed and practical information on various taxes and financial practices that were later seen in India. Finance was given great importance in administration, and it was considered one of the key elements of sovereignty. The main sources of revenue were taxes, non-tax revenue, and public loans. Taxes included land tax, octroi, customs duties, sales taxes, and more. Revenue was collected in various forms such as gold, coin, cattle, grains, and services. The Arthasastra also provides information on State undertakings, including forests, mines, trading, manufacturing, and crown lands, which contributed to public revenue. In times of financial difficulty, the State relied on measures such as increasing taxes, imposing demands on cultivators, merchants, and professions, and seeking voluntary contributions. The approach to public finance in ancient India reflected both practical considerations and an emphasis on sustaining the commonwealth and the military.

Books:

1. Constutution of India, V.N. Shukla

V.N. Shukla's "Constitution of India" is a highly regarded and widely used book within the legal fraternity. First published in 1950, the same year the Constitution of India came into force, the book has undergone 11 editions and numerous reprints. Known for its quality and clarity, it has been consistently praised for its reader-friendly approach. The book includes all the amendments made to the Constitution up to the present. A unique feature is the accurate and precise presentation of amendment details, including the text of provisions before and after the amendment, which is not commonly found in other textbooks. This focus on the constitutional text distinguishes the book from those that place excessive emphasis on case law.

The book occasionally provides a comparative perspective, which encourages readers to explore other legal systems. Overall, "Constitution of India" is considered an invaluable resource, and each edition is regarded as a valuable addition to any library. The publisher, Eastern Book Company, deserves appreciation for maintaining a reasonable price for such a high-quality book.

2. GST in India - Law and Practice, Dr. Sanjiv Agarwal and CA Rajkumar S. Adukia

The book is known to be a comprehensive resource on the subject of Goods and Services Tax (GST) in India. The book aims to provide a detailed analysis of the GST provisions, procedures, and practical aspects.

Comprehensive Coverage: The book covers various aspects of GST, including its legal provisions, procedural aspects, and practical implications. It provides a comprehensive understanding of the GST framework in India.

Clarity of Concepts: The authors have been commended for their ability to explain complex GST concepts in a clear and understandable manner. The book is said to be suitable for readers with different levels of familiarity with GST, including beginners and professionals.

Updates and Amendment: The book provides regular updates and incorporates the latest amendments to keep the readers informed about the current GST regime.

3. GST Ready Reckoner, by V.S. Datey

GST Ready Reckoner by V.S Datey is a well-known book that aims to provide a comprehensive understanding of Goods and Services Tax (GST) in India. I would appreciate that the book is designed as a ready reckoner, making it compact and easy to carry. It is organized in a concise manner, presenting the key concepts and provisions of GST in a user-friendly format.

Clarity and Simplicity: The book is clear and in a simple language, making it accessible to readers with different levels of understanding of GST. The author explains complex concepts in a straightforward manner, making it easier for readers to grasp the subject.The book provides regular updates and incorporates the latest amendments to keep the readers informed about the current GST regime.

RESEARCH METHODOLOGY

Research Objective: The objective of this study is to examine the taxation policy on liquor in India and its impact on various aspects, including revenue generation, consumption patterns, and public health concerns. The research aims to provide a comprehensive understanding of the current tax structure, its implementation, and its consequences on the liquor industry and society as a whole.

Research Design: This study will adopt a mixed-methods research design, combining both quantitative and qualitative approaches. It will involve the analysis of secondary data, such as government reports, policy documents, academic studies, and industry publications. Additionally, interviews or surveys with key stakeholders, including policymakers, tax officials, industry representatives, and consumers, will be conducted to gain insights into their perspectives and experiences regarding the taxation policy on liquor.

Data Collection:Government reports and publications: Taxation policies, excise duty rates, and other relevant information related to liquor taxation issued by the Central Board of Excise and Customs (CBEC), Ministry of Finance, and state excise departments.

Academic research papers and studies: Existing research literature, economic analyses, and studies on the impact of liquor taxation policies in India.

Industry publications and reports: Reports, white papers, and publications from industry associations, market research firms, and companies engaged in the liquor business.

Policy documents and legal frameworks: State excise laws, tax acts, and policy documents related to liquor taxation.

Data Analysis: The collected data will be analyzed using a combination of quantitative and qualitative methods:

A) Quantitative Analysis: Statistical analysis will be performed on survey data using appropriate statistical tools such as descriptive statistics, chi-square tests, or regression analysis to identify patterns, relationships, and trends related to liquor consumption and taxation.

B) Qualitative Analysis: Interviews and open-ended survey responses will be transcribed and thematically analyzed to identify key themes, patterns, and divergent viewpoints on the taxation policy and its implications.

This research may be limited by the availability and quality of data obtained from secondary sources. Additionally, the sample size and selection bias in primary data collection may affect the generalizability of the findings. These limitations will be acknowledged, and efforts will be made to mitigate their impact.

RESEARCH QUESTIONS

Following are the questions which will be addressed in this research paper-

1. What are the laws governing liquor in India?
2. What are the State policy dealing with liquor?
3. What are the different tax rates imposed on liquor by the States?
4. Why is GST not applicable on consumption of human liquor?
5. What are the alternative policies which can be used by the State and the Central government?
6. How is high revenue generated by following the old tax regime?

CHAPTER 1

LAWS GOVERNING LIQUOR IN INDIA.

1. Constitutional provisions:

Consumption of liquor is an ongoing and debatable topic. Since, the pandemic demand for liquor has increased across the country. The early decades of independent India witnessed a strong prohibition movement, driven by social and religious groups advocating for a ban on alcohol.But, the framers of the Indian Constitution provided powers to the State and center to make laws and provisions on liquor.Article 47 of the Indian Constitution talks about the directive principle of State policy. It puts the responsibility on the State to prioritize public health and well-being. It focuses on the duty of the State to work towards improving nutrition, standard of living, and public health. But, it doesn't prohibit consumption of liquor and sale. While the directive principles of state policy are not legally enforceable, they provide a guiding framework for the government to shape laws, policies, and programs in the interest of the people. Our Constitution law provides power to the State to deal with liquor rather than the central govt. The power of sale, production, and consumption of alcohol is granted to the States under the Seventh Schedule[1] of the Indian Constitution.

As per 2020 data, the total consumption of liquor in India had amounted to about 5 billion and was estimated to reach about 6.21 billion liters by 2004.[2] Before discussing about the Constitutional provision in detail, let us first understand the alcohol market in India. India's alcohol market consists of two kinds of liquor- 1. Indian made Indian Liquor IMIL and 2. Indian made foreign liquor or IMFL.

On average liquor consumption is rular Indian is higher than urban India. States like Andhra Pradesh, Dadar and Nagar heaveli, Andaman and Nicobar Island, Arunchal Pradesh are the top states with liquor consumption.

On average Uttar Pradesh gets the maximum excise revenue (which is mainly levy on alcohol) in the country.Uttar Pradesh gets Rs.31,500 crore aprx excise revenue followed by Karnataka which has second largest excise revenue of Rs. 20,950 crore and Maharastra is third in number with 17,477.70 crore Revenue.[3]

The Constitutional law grants power to the state relating to laws governing liquor. Under the 7th schedule of the Indian Constitution. The seventh Schedule of the Indian Constitution provides for a three-fold division of legislative powers between the central government and the State govt. Entry 8 of the State list grants exclusive powers to make laws on the subject of the manufacture, sale and consumption of alcohol. Each state has an authority to enact its own laws and regulations regarding liquor.

Liquor licenses- In India, liquor licenses is governed by the excise department of respective state govt. The process of providing a license can vary from state to state. But, the main point of dispute arises when the right to consume liquor and trade liquor was banned by some states and was allowed in other states.The state has the power to hold a public auction for grant of license on trade in liquor. The state can also prohibit business in liquor because they have rights or privileges of manufacture, possession and sale of intoxicating liquor.[4]

The battle to recognize the right to consume liquor started in the year 1951 in the case of the *State of Bombay vs F.N Balsara*.[5] It was held in the Bombay Prohibition Act, inconsistent and unconstitutional as it violated the fundamental rights of citizens. The Supreme Court noted that the act failed to provide reasonable exceptions for medicine, scientific use a sacramental use of alcohol. The Supreme Court noted that the act failed to provide a reasonable exceptions for medicine, scientific use a sacramental use of alcohol. The case was very significant because it established the principle that prohibition on sales of alcohol must be reasonable and in the public interest. It is important to balance individual rights with public welfare.

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[1] INDIA CONST.List II, Entry 51

[2] A.Minhas ,Consumption of Alcoholic Beverages in India 2020-24, (Jan 30,2023)https://www.statista.com/statistics/727026/consumption-of-alcoholic-beverages-india/

[3] National Family Health Survey-5 2019-2021

[4] Nashinear vs State of M.P (1975) 1 SCC 29

[5] State of Bombay vs F.N Balsara 1951 AIR 318, 1951 SCR 682

Another case i.e *Khoday Distillers ltd vs State of Karnataka*[1] the matter of liquor was discussed in relation to Article 19(1) (g) Freedom of Trade. The Hon'ble Supreme Court held that the right to carry trade doesn't extend to business or trade which is injurious to health, safety and welfare of the general public. Further, this case was supported by Article 47 of the Indian Constitution, which clearly provides that the state has the power to take care of nutrition, improve public health and also help the standard of living.

2. Taxation provisions governing liquor.

Alcohol is consumed in large quantity in India.The revenue collected from the consumption of liquor varies across the state. The Indian alcohol industry is divided into two forms-

1. Indian Made (domestic) Indian liquor;

2. Indian made foreign liquor.Taxation rates and policies vary from state to state. Though alcohol is exempted from GST, other tax rates (old regime) and fees continue to apply. The old regime is applied in order to increase the price of liquor in order to generate more revenue.

GST on Liquor

Under Article 366(12A) of the Constitution, defines GST as any tax on the supply of goods, services, or both – except taxes on the supply of alcoholic liquor for human consumption. GST was introduced in 2017 as an indirect tax. The main objective behind introducing GST was to replace all indirect taxes and introduce a one nation, one tax policy. GST helped in creating a common market and a uniform taxation system to curb tax evasion and remove the cascading effect. According to Section 9 of the CGST Act, 2017, and Section 5 of the IGST Act, 2017, GST is not is not leviable on the supply of alcoholic liquor for human consumption. However, in the case of liquor for human consumption, the old tax regime and license fees continue to apply. The reason behind choosing the old regime instead of the new is to ensure that the state government continues to have a strong inflow of revenue. Alcohol for human consumption is kept out of the purview of GST. Following old tax rates are applied on the consumption of human liquor-

1. Excise Duty on production of liquor for human consumption-

Excise duty is a type of indirect tax charged on certain sales of products. Excise duty imposed on goods for their production, licensing and sale. It is collected by a retailer or an intermediary from its consumer and then they are paid to the government. But, after the commencement of the GST Act, the excise rates were replaced by GST rates. The excise duty is collected by retailers or an intermediary from its consumers and then it is paid to the government. After the introduction of GST, excise duty is only imposed on alcohol for human consumption. The state has the power to impose excise duty on liquor consumption. Excisable article would include any alocholic liquor for human consumption or any intoxicating drug. The state can impose excise duty only at the time when the product is finished and in in bottling tank.[2] The state legislature is competent to make or regulate or impose tax/fee/import/levy on alcohol fit for human consumption.[3]The State may charge excise duty on potable alcohol and sales tax under Entry 52 of List II. However, sales tax cannot be charged on industrial alcohol in the present case, because under the Ethyl Alcohol (Price Control) Orders, sales tax cannot be charged by the State on industrial alcohol.[4] The State doesn't have power to levy tax or duty on industrial alcohol that is not fit for human consumption. Such a tax can be levied only by the central government.[5]

2. State value added tax (VAT) on the sale of liquor -

It is also an indirect tax imposed on products and services throughout the cycle of production and distribution. VAT on liquor may vary from state to state. The minimum VAT rate for alcohol in India is 20%. But, some of the states have high rates of alcohol consumption. States like Maharashtra and Tamil Nadu have 65% and 58% VAT on liquor. VAT is only charged on the output of human liquor I.e on the final result which is produced.

3. Fee such as gallonage and license fees-

Apart from excise duty and VAT additional fees are imposed on human liquor such as gallonage fees and license fees. Special taxes or licensing fees can serve various purposes. They may contribute to funding regulatory bodies responsible for monitoring and enforcing liquor laws, supporting public health initiatives, or addressing specific societal concerns associated with alcohol consumption, such as addiction treatment programs. Also, according to section 206C of the Income tax act,1961, a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier, collect from the buyer as income tax at the rate of 1%.

GST is applicable on all inputs used in the course of making consumable human liquor.

GST is only applicable on all inputs used in the course or furtherance of business and input services used for alcoholic beverages. 18% GST is charged on inputs for human consumption of liquor. The output of human liquor is not under the purview of GST. Liquor for human consumption attracts old regime taxation. But, when it comes to industrial alcohol, it falls under the scope of GST.18% of GST is charged on industrial alcohol,ethyl alcohol and spirit.The High Court observed that the government of India issued a notification dated on 28.08.2017.Specifying that food and food products or alcohol was not

[1] Khoday Distillers ltd vs State of Karnataka 1995 SCC (1) 574 JT 1994 (6) 588 SCALE (4)528
[2] Mohan Meakin ltd vs Excise and taxation commt. (1997) 2 SCC 193
[3] State of Jharkhand and ors vs Ajanta Bottlers & Blenders pvt. Ltd 2019 SCC545
[4] Indian Mica case [(1971) 2 SCC 236 : 1971 Supp SCR 319 : AIR 1971 SC 1182]
[5] Synthetics and Chemicals Ltd vs. State of U.P. [(1990) 1 SCC 109]

included under the heading 9988 but the tax payable was 2.5% + 2.5%. This notification was amended on 13.10.2017 by including food and food products and taxing it at 5% rate but it didn't include alcohol or alcohol products. Again, on further amendment of notification dated on 30.09.2021 in relation to manufacturing of liquor for human consumption which was chargeable at 18% tax payable.[1] VAT is applied on the consumption of human liquor and GST is only applied on the inputs of that liquor. Thus, the primary concern is the non-availability of Input Tax Credit (ITC) on GST paid on inputs since the output is kept outside the ambit of GST. Even though GST is not being levied on liquor, the prices of liquor continue to rise after the roll out of Goods and Services Tax. This is because before GST, the input used to manufacture liquor was taxed at 12% - 15%. However, after the commencement of GST, input raw materials are taxed at 18%. GST results in an increase in input costs. Thus, the rise in tax rate increases the price liability for the customers.

CHAPTER 2

TAXATION POLICY OF STATES:

Indian state governments run on two organic liquids - C2H5OH and C8H18, one to damage your liver and other to damage your lungs- liquor and petrol.

In India, alcohol used for human consumption is kept out of the purview of the Goods and Services Tax(GST), enforced all over India from 1 July, 2017[2]. The purpose of bringing such a tax regime was to eliminate the copious amount/ kinds of taxes applicable on the sale of goods and services across India.

However, particularly one item was annihilated from the list i.e. Alcohol. It was done particularly due to the stringent protest by the State governments against the GST bill, bringing alcohol under the Goods and Services Tax. It is estimated that alcohol fetches a whopping 90,000 crore revenue to the States annually, it ensures there is a strong inflow of receipts for the State governments apart from what they receive from the Goods and Services Tax.

Another reason for alcohol to not be included under the Goods and Services Tax is that the Constitution of India empowers the States governments to levy taxes in accordance to their policies, under the Seventh Schedule. The Seventh schedule divides the taxation powers between the States and the Centre, alcohol falls under the State list which entitles the States to impose a tax in accordance to their schemes/ strategy, on alcohol used for human consumption including production, sale and consumption of the same.

Due to the aforementioned reasons, even today alcohol is taxed in accordance to the old tax regime followed pre- GST. The taxes applicable on alcohol are as follows:

- Excise Duty is a type of tax levied on goods during their production, licensing, and sale. It's an indirect tax paid by producers to the government of India. Currently, excise duty is only imposed on liquor and petroleum products. In the past, it was levied as Central Excise Duty, Additional Excise Duty, and other forms at the central level.
- Value Added Tax (VAT) is another indirect tax imposed on products and services during the entire production and distribution cycle, starting from the procurement of raw materials until the finished product becomes available to the end-user.
- Apart from excise duty and VAT, other fees, such as gallon-age fee and license fee, are also imposed on the sale and consumption of alcohol.

However, the liquor industry in India has been urging the government to bring alcohol under the GST regime. The industry argues that the exclusion of alcohol from GST has led to an increase in the overall cost of production, as they have to pay taxes on the inputs but cannot claim the input tax credit (ITC) on the output.Under the current system, the manufacturers of alcohol have to pay taxes on the raw materials used in the production of alcohol, such as molasses and denatured ethyl alcohol. However, they cannot claim the input tax credit on the taxes paid on these inputs, as alcohol is not covered under GST. This results in an increase in the cost of production, which is ultimately passed on to the consumers.

In addition, the industry argues that the exclusion of beer from the GST regime is not justified, as beer has a low alcohol content (typically around 5% alcohol by volume) and is not a hard liquor. Bringing beer under the GST regime would reduce the tax burden on the industry and make it more competitive. It would also have a positive impact on the tourism industry, as beer is a popular drink among tourists.

Nevertheless, it's important to note that any decision to bring alcohol, including beer, under the GST regime would require a constitutional amendment, as the power to tax alcohol is vested with the state governments under the Indian Constitution. As a result, any such decision would have to be taken after careful consideration and consultation with the state governments. Now, lets discuss about the taxation policy on liquor across various States in India:

1. Andhra Pradesh- In Andhra Pradesh, the state government regulates the sale of alcohol through the Andhra Pradesh Beverages Corporation Limited (APBCL). The tax on alcohol is one of the highest in the country. The state government imposes various taxes on the sale and consumption of alcohol, including excise duty, value-added tax (VAT), and additional retail sales tax (RST).

The excise duty on alcohol in Andhra Pradesh is calculated based on the volume of alcohol and the type of beverage. For example, the excise duty on Indian-made foreign liquor (IMFL) ranges from Rs. 50 to Rs. 2,000 per proof litre, depending on

[1] M/S Esveeaar Distillers Private Limited vs Assitant Commissioner (State Tax), Tirupati II Circle, Tirupati and Four others 2022 (II) TNI 210.
[2] The Constitution (One Hundred And First Amendment) Act, 2016.

the category of liquor. The excise duty on beer ranges from Rs. 10 to Rs. 25 per litre, depending on the strength of the beer. In addition to the excise duty, the state government also imposes VAT and RST on the sale of alcohol. The VAT on alcohol in Andhra Pradesh is 5%, while the RST ranges from 30% to 35%, depending on the category of liquor[1].

2. Arunachal Pradesh- The excise duty on alcohol in Arunachal Pradesh is levied on the basis of the type and strength of the beverage. The excise duty on Indian-made foreign liquor (IMFL) ranges from Rs. 225 to Rs. 1,800 per case, depending on the category of liquor. The excise duty on beer is Rs. 20 per litre, and the excise duty on country liquor ranges from Rs. 100 to Rs. 400 per case.[2]

In addition to the excise duty, the state government also levies additional excise duty on the sale of alcohol. The additional excise duty is imposed at a rate of 20% on IMFL and 5% on beer. The state government also imposes VAT on alcohol in Arunachal Pradesh. The VAT on alcohol is currently 20% of the retail price[3].

3. Assam- In Assam, the state government regulates the sale of alcohol through the Assam Excise Department. The excise duty on alcohol in Assam is calculated based on the type and strength of the beverage. The excise duty on Indian-made foreign liquor (IMFL) ranges from Rs. 180 to Rs. 360 per litre, depending on the category of liquor. The excise duty on beer ranges from Rs. 40 to Rs. 50 per litre, depending on the strength of the beer.

In addition to the excise duty, the state government also levies VAT and additional sales tax on the sale of alcohol. The VAT on alcohol in Assam is currently 25%, while the additional sales tax ranges from 5% to 25%, depending on the category of liquor.[4]

The state government has also introduced a new tax on alcohol known as the 'COVID-19 cess' in 2020. This cess is imposed at a rate of 25% of the total retail price of liquor and is aimed at generating additional revenue to fund the state's COVID-19 response.

4. Chattishgarh- The excise duty rates vary depending on the type and strength of the alcoholic beverage. For Indian-made foreign liquor (IMFL), the excise duty rates range from Rs. 50 to Rs. 800 per proof litre, depending on the category of the liquor. For beer, the excise duty rate is Rs. 30 per bulk litre. For country liquor, the excise duty rates vary from Rs. 20 to Rs. 100 per bulk litre, depending on the strength of the liquor.[5]

In addition to the excise duty, the state government also levies additional excise duty on the sale of alcohol. The additional excise duty is imposed at a rate of 25% on IMFL, 20% on beer, and 5% on country liquor. The state government also imposes VAT (Value Added Tax) on the sale of alcohol, which is currently 25% on IMFL and beer, and 5% on country liquor.

5. Goa- Goa is known for its thriving liquor industry, and the state government earns a significant amount of revenue from the sale of alcohol. The excise duty on alcohol in Goa is levied by the state government and is one of the main sources of revenue for the state.

The excise duty rates on alcohol in Goa vary depending on the type of alcoholic beverage. For Indian-made foreign liquor (IMFL), the excise duty rates range from Rs. 150 to Rs. 300 per proof litre, depending on the category of the liquor. For beer, the excise duty rate is Rs. 25 per bulk litre, and for country liquor, the excise duty rates vary from Rs. 20 to Rs. 60 per bulk litre, depending on the strength of the liquor.[6]

In addition to the excise duty, the state government also levies additional excise duty on the sale of alcohol. The additional excise duty is imposed at a rate of 50% on IMFL, 25% on beer, and 15% on country liquor. The state government also imposes VAT (Value Added Tax) on the sale of alcohol, which is currently 20% on IMFL and beer, and 15% on country liquor.[7]

Goa is one of the few states in India that allows the sale of alcohol at retail outlets, including grocery stores and supermarkets. This has led to a highly competitive market for liquor, with many outlets offering discounts and promotions to attract customers.

6. Haryana- For Indian-made foreign liquor (IMFL), the excise duty rates range from Rs. 25 per proof litre to Rs. 400 per proof litre, depending on the category of the liquor. The highest excise duty rates are applicable to premium brands of IMFL, while the lowest rates are applicable to lower-priced brands.

For beer, the excise duty rate is Rs. 20 per bulk litre. For country liquor, the excise duty rates vary from Rs. 7 per bulk litre to Rs. 25 per bulk litre, depending on the strength of the liquor. In addition to the excise duty, the state government also levies additional excise duty on the sale of alcohol. The additional excise duty is imposed at a rate of 10% on IMFL and beer and 5% on country liquor. The state government also imposes VAT (Value Added Tax) on the sale of alcohol, which is currently 20% on IMFL and beer and 13.2% on country liquor.[8]

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7. Himachal Pradesh- The excise duty on Indian Made Foreign Liquor (IMFL) in Himachal Pradesh is determined based on the category of the liquor. For instance, for whisky and rum, the excise duty rate is Rs. 150 per proof litre, while for gin, vodka, brandy, and wine, it is Rs. 100 per proof litre.

For beer, the excise duty is levied at Rs. 30 per bulk litre. For country liquor, the excise duty rates range from Rs. 20 per bulk litre to Rs. 45 per bulk litre, depending on the strength of the liquor.[1]

In addition to the excise duty, the state government also levies additional excise duty and other taxes on the sale of alcohol. For example, a surcharge is levied on IMFL and beer at the rate of 10% of the basic excise duty. Moreover, a license fee is also imposed on the sale of alcohol.

8. Jharkhand- In Jharkhand, the state government levies various types of taxes and duties on alcohol.

- Excise Duty: The excise duty on alcohol is determined based on the category of liquor. The excise duty on Indian Made Foreign Liquor (IMFL) such as whisky, rum, brandy, gin, and vodka is Rs. 250 per proof litre, while for beer, it is Rs. 40 per bulk litre. For country liquor, the excise duty rates range from Rs. 10 per bulk litre to Rs. 40 per bulk litre, depending on the strength of the liquor.
- Additional Excise Duty: In addition to the basic excise duty, the state government also levies an additional excise duty on IMFL and beer at the rate of 5% of the basic excise duty.
- License Fee: The state government also imposes a license fee on the sale of alcohol. The fee varies based on the type of license and the location of the establishment.
- Value Added Tax (VAT): VAT is imposed on alcohol in Jharkhand. The rate of VAT varies based on the category of liquor. For IMFL and beer, the VAT rate is 20%, while for country liquor, it is 5%.[2]

9. Karnataka- The taxes and duties applicable on alcohol in Karnataka are as follows:

- Excise Duty: Excise duty is a tax imposed on the production, licensing, and sale of goods. In Karnataka, the excise duty on alcohol is levied at various rates depending on the type of alcohol and its strength. For example, the excise duty on beer ranges from Rs. 20 to Rs. 130 per bulk liter, while the excise duty on Indian Made Foreign Liquor (IMFL) ranges from Rs. 150 to Rs. 2000 per proof liter.
- Value Added Tax (VAT): VAT is a tax levied on the value added to a product at each stage of its production and distribution. In Karnataka, VAT on alcohol is levied at 20%.
- Additional Excise Duty: In addition to the excise duty and VAT, Karnataka also imposes an additional excise duty on alcohol. The rate of additional excise duty varies depending on the type of alcohol and its strength.
- Special Excise Duty: The state government also imposes a special excise duty on alcohol. This duty is typically levied on liquor sold in bars and restaurants.
- Cess: The state government also levies a cess on alcohol, which is typically used for funding specific projects or initiatives.

10. Kerela- The state government has a monopoly on the sale of alcohol and runs its own chain of liquor shops called Kerala State Beverages Corporation (KSBC) outlets.

The excise duty rates for different categories of alcohol in Kerala are as follows:

- Indian-made foreign liquor (IMFL): The excise duty on IMFL in Kerala ranges from Rs. 500 to Rs. 2,800 per proof litre, depending on the type of liquor and the alcohol content.
- Beer: The excise duty on beer in Kerala is based on the maximum retail price (MRP) per litre. For beer with an MRP of up to Rs. 130 per litre, the excise duty is Rs. 31 per litre. For beer with an MRP of above Rs. 130 per litre, the excise duty is Rs. 39 per litre.
- Wine: The excise duty on wine in Kerala is Rs. 100 per litre.

Apart from the excise duty, the state government also levies a few other taxes on alcohol, such as value-added tax (VAT), surcharge, and cess. The VAT rates for alcohol in Kerala range from 5% to 15%, depending on the type of alcohol. The surcharge and cess rates vary based on the alcohol content and are typically levied as a percentage of the basic excise duty.[3]

11. Maharashtra- The excise duty rates vary depending on the type of alcoholic beverage, such as country liquor, Indian-made foreign liquor (IMFL), beer, and wine.

For IMFL, the excise duty rate is based on the maximum retail price (MRP) of the product, and it ranges from Rs. 700 to Rs. 5,000 per proof litre. For beer, the excise duty rate is based on the volume of beer produced and ranges from Rs. 55 to Rs. 125 per bulk litre. For wine, the excise duty rate ranges from Rs. 5 to Rs. 30 per bulk litre, depending on the type of wine.[4]

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In addition to excise duty, the Maharashtra government also charges other fees and charges on the sale of alcohol, such as license fees, permit fees, and label registration fees. These fees vary depending on the type of alcohol and the location of the establishment selling the alcohol.

Overall, the tax on alcohol in Maharashtra is among the highest in the country, and the prices of alcoholic beverages can be significantly higher than in other states.

12. Punjab- As per the latest tax structure for the year 2021-22, the following is the tax rate for different types of alcohol:

- Indian Made Foreign Liquor (IMFL): The excise duty on IMFL ranges from Rs. 180 to Rs. 2,000 per proof litre, depending on the strength of the alcohol. In addition, VAT is levied at the rate of 5% on IMFL.
- Beer: The excise duty on beer ranges from Rs. 35 to Rs. 55 per bulk litre, depending on the strength of the beer. VAT is levied at the rate of 18% on beer.
- Country Liquor: The excise duty on country liquor ranges from Rs. 25 to Rs. 100 per bulk litre, depending on the strength of the alcohol. VAT is levied at the rate of 5% on country liquor.

13. Rajasthan- The excise duty is imposed on the production and sale of liquor, while VAT is levied on the sale of liquor.

The excise duty on liquor in Rajasthan varies based on the type of liquor, its strength, and the selling price. The state government revises the excise duty rates every year in its budget. The excise duty rates on liquor in Rajasthan for the year 2021-22 are as follows:

- For beer and wine, the excise duty rate is 175% of the manufacturing cost.
- For country liquor, the excise duty rate ranges from Rs. 30 to Rs. 80 per proof litre, depending on the strength of the liquor.
- For Indian-made foreign liquor (IMFL), the excise duty rate ranges from Rs. 100 to Rs. 500 per proof litre, depending on the selling price of the liquor.

Apart from excise duty, VAT is also levied on the sale of liquor in Rajasthan. The VAT rate on liquor in the state is 20%. However, the VAT rate may vary for different types of liquor, such as beer and wine, depending on their alcoholic strength.

It's worth noting that the Rajasthan government had increased the excise duty on liquor in the state by 10% in 2020 to increase revenue generation in the wake of the COVID-19 pandemic. The government also imposed a COVID-19 cess of Rs. 10 per bottle on liquor to fund its efforts to control the spread of the virus.

14. Uttar Pradesh- In Uttar Pradesh, the excise duty on country liquor ranges from Rs. 40 to Rs. 70 per liter, depending on the type and strength of the liquor. The excise duty on beer is Rs. 60 per liter. For IMFL, the excise duty ranges from Rs. 140 to Rs. 400 per liter, depending on the type and strength of the liquor. The excise duty on imported liquor is the highest and varies from Rs. 300 to Rs. 3000 per liter.

In addition to excise duty, the government also levies license fees on the manufacture, sale, and storage of alcohol. The license fees vary depending on the type of license and the location of the establishment.

Uttar Pradesh also imposes additional taxes on alcohol, such as the COVID-19 cess, which was introduced in 2020 to raise funds for the government's efforts to combat the pandemic. The COVID-19 cess is levied at a rate of 10% on the maximum retail price of alcohol sold in the state.

Overall, the alcohol taxation policy in Uttar Pradesh is aimed at generating revenue for the state while regulating the sale and consumption of alcohol.

15. West Bengal- In West Bengal, the tax on alcohol is levied under the West Bengal Excise Act, 1909. The state government imposes various types of taxes and fees on the production, import, export, transport, and sale of alcoholic beverages.

The tax on alcohol in West Bengal includes excise duty, value-added tax (VAT), and additional taxes and fees. The excise duty is levied on the production and sale of alcohol by the state government. The rates of excise duty vary based on the type of alcohol, the strength of the alcohol, and the mode of sale.

In addition to excise duty, the state government also levies VAT on alcohol, which is a tax on the value added at each stage of the supply chain. The VAT rates also vary based on the type of alcohol and the mode of sale. West Bengal also imposes additional taxes and fees on alcohol, such as health cess, license fees, and permit fees. These taxes and fees are levied to generate revenue for the state government and to discourage excessive consumption of alcohol.

The state government periodically revises the rates of taxes and fees on alcohol based on various factors, such as revenue targets, inflation, and social and health concerns.

Through the analysis of a few states it can be concluded that most of the states in India have a different policy/ way of dealing with alcohol, while some states encourage/ allow the consumption of alcohol, there are a few which have put a ban on the use and consumption of alcohol completely. The states in which alcohol consumption is prohibited in India are:

a) Gujarat: Alcohol is completely banned in Gujarat since the 1960s, with few exceptions such as medicinal use, industrial use, and export purposes.

b) Bihar: In 2016, the Bihar government imposed a complete ban on the sale and consumption of alcohol in the state.

c) Nagaland: Nagaland banned the sale and consumption of alcohol in 1989, but the ban was lifted in 2007.

d) Lakshadweep: Alcohol is banned in Lakshadweep, except for Bangaram Island, where it is allowed for tourists.

e) Manipur: Manipur banned the sale and consumption of alcohol in the state in 1991.

f) Mizoram: Mizoram implemented a total prohibition on alcohol in 1997, but it was lifted in 2014.

g) Andaman and Nicobar Islands: In 2019, the Andaman and Nicobar Islands government imposed a ban on the sale and consumption of alcohol in some parts of the islands.

The reasons behind banning alcohol can vary from state to state. In some cases, it may be due to religious or cultural beliefs that prohibit the consumption of alcohol. For example, Gujarat, which is a predominantly Hindu state, has a complete ban on alcohol consumption. Similarly, in the state of Nagaland, which has a significant Christian population, the consumption of alcohol is banned.

In other cases, the decision to ban alcohol may be driven by social or public health concerns. For example, the state of Bihar banned alcohol in 2016, citing rising alcoholism and related social and health issues as the reason for the ban. The state government believed that the ban would help reduce crime, poverty, and domestic violence, and improve overall public health.

In some states, the ban on alcohol may be only partial, with restrictions on the sale and consumption of alcohol in certain areas or during specific times of the day. For example, in some areas of Manipur, alcohol is banned completely, while in others, it is allowed only during certain hours.

CHAPTER 3

ALTERNATIVE TAX POLICY.

1. Minimum Unit Pricing

A pricing strategy for alcoholic beverages known as Minimum Unit Price (MUP) is focused on establishing a minimum price per unit of pure alcohol, which is commonly measured in grammes or millilitres. MUP aims to decrease alcohol consumption by raising the price of alcohol purchases, particularly for strong drinks.

Heavy drinkers are the primary audience for MUP since they are more likely to buy low-cost, high-strength alcohol goods. MUP guarantees that low-cost, high-strength alcohol products are no longer available, making them less alluring to heavy drinkers. This is done by establishing a minimum price per unit of alcohol. Lower alcohol content drinks like beer and wine are also less impacted by MUP because of their lower cost per unit of alcohol.

'In 2018, Scotland became the first country in the EU to bring in minimum unit pricing on alcohol. Alcohol purchases in Scotland reduced by 7.6% in the year after it was introduced. This is the lowest level of alcohol sales since records began in the early 1990s. Research has also shown that moderate drinkers were affected very little; it has had the greatest impact on harmful drinkers. It is estimated that it will save more than 2,000 lives in Scotland over 20 years.[1]

It's important to note that the impact of MUP on liquor pricing and consumption if brought in India would depend on various factors, including the specific pricing structure, the existing alcohol consumption patterns, cultural norms, and enforcement capabilities in each state.

- Reduced alcohol consumption:

MUP aims to discourage excessive alcohol consumption by setting a minimum price per unit of alcohol. By increasing the price of low-cost, high-alcohol-content beverages, MUP can make them less affordable and potentially reduce overall alcohol consumption.

- Health benefits:

Excessive alcohol consumption is associated with various health risks and social problems. By reducing alcohol consumption, MUP may lead to positive health outcomes, such as lower rates of alcohol-related diseases and alcohol-related accidents.

- Revenue generation:

Implementing MUP could generate additional revenue for the government through increased taxes on alcohol sales. This revenue could be allocated towards healthcare, education, or other public services.

- Impact on low-income consumers:

MUP may have a greater impact on low-income consumers who typically purchase cheaper alcoholic beverages. They may find it more difficult to afford alcohol due to the increased prices. However, this effect can also be seen as a positive if it helps reduce harmful drinking patterns in vulnerable populations.

- Potential for cross-border trade:

If MUP is implemented in one state but not in neighboring states, there could be an increased risk of cross-border trade. Consumers may travel to neighboring states with lower alcohol prices, potentially undermining the intended effects of MUP.

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[1] Minimum Unit Pricing on Alcohol – what is it and what will it mean for me., our health service,25 may,2021.https://www2.hse.ie/healthy-you/alcohol-blogs/minimum-unit-pricing-on-alcohol-what-is-it-and-what-will-it-mean-for-me-.html.

- Enforcement challenges:

Implementing MUP requires effective monitoring and enforcement to ensure compliance. This can be challenging, particularly in regions with a high prevalence of illicit or bootleg alcohol sales.

These are some possible effects which which can take place when MUP will be implemented in India.

2. Ad Valorem Tax:

A tax called an ad valorem is imposed on a good or service according to its market value. Typically, the tax is calculated as a percentage of the cost of the good or service. For instance, the tax on a commodity with a value of $1,000 and an ad valorem tax rate of 10% would be $100.

Ad valorem tax can be imposed on a variety of items and services, such as vehicles, jewellery, and technology, as well as on professional services like legal and accountancy.

Ad valorem tax is simple to administer, which is one of its main advantages. The tax can be easily computed and collected because it is based on the value of the good or service. Because they may command a higher price and bring in more tax money, high-quality goods and services also give producers and vendors an incentive to produce them.

- Increase in price:

An ad valorem tax would increase the cost of liquor for consumers, as it would be calculated as a percentage of the product's value. This could discourage some people from purchasing liquor or cause them to buy less of it.

- Revenue generation:

The government could generate significant revenue from the ad valorem tax, as it would be based on the value of the product. This revenue could be used for various purposes such as public health programs, education, infrastructure, and other essential services

- Reduction in consumption:

Higher prices due to the ad valorem tax could lead to a reduction in the consumption of liquor. This could have positive health outcomes and reduce the societal costs associated with alcohol abuse, such as increased healthcare costs, lost productivity, and social problems.

- Smuggling and bootlegging:

A significant increase in the tax on liquor could lead to an increase in smuggling and bootlegging, where illegal and unregulated liquor is sold in the black market. This could lead to a loss of revenue for the government and potentially create health hazards for consumers who purchase these products. 8. It's important to note that the actual impact of an ad valorem tax on liquor in India would depend on various factors, such as the specific tax rate, the demand for liquor, and the availability of substitute products.

3. Tax Exemptions for Low Alcohol Beverages

Depending on the nation and its unique tax laws, tax exemptions for low-alcohol beverages may differ. I can give you some general information, though.

For low alcohol beverages, often known as "low-alcohol" or "reduced-alcohol" beverages, there may be tax exemptions or reduced tax rates in some countries. These drinks often contain less alcohol than more common alcoholic ones like beer, wine, or spirits.

Tax exemptions for low-alcohol beverages are justified in order to encourage moderation and provide consumers a reason to select these products. Governments hope to promote the manufacture and consumption of beverages with reduced alcohol content as a potential damage reduction strategy by lowering the tax burden on these goods.

It's crucial to note that different jurisdictions may have different requirements for what constitutes a low alcohol beverage and their related tax exemptions or lower prices. In some circumstances, the tax exemption may be determined by an absolute alcohol content level (for example, beverages with less alcohol by volume than a specific percentage). In other cases, the tax status could be determined by how much less alcohol is present compared to typical alcoholic beverages.

It is advised to speak with the appropriate tax authorities or contact a qualified tax professional who can give you comprehensive information on the relevant regulations in order to obtain accurate and up-to-date information on tax exemptions for low-alcohol beverages in your particular country or region.

- Its impact in Indian taxation system

Both the central government and the state governments in India have control over the taxation of alcoholic beverages. Regarding the taxation of alcohol, each state has its own rules and guidelines that can differ greatly.

There could be a number of potential effects if tax exemptions for low-alcohol beverages were to be implemented in India:

- Encouragement of low-alcohol beverage use:

Tax exemptions may serve as a motivator for the creation and consumption of low-alcohol beverages. By encouraging safe consumption, this could lessen the unfavourable social and health effects of beverages with higher alcohol content.

Regulatory obstacles:

It might be difficult to define and classify low-alcohol beverages. For regulators and tax authorities, defining precisely what counts as a low-alcohol beverage and figuring out the proper tax rates can be difficult.

- Revenue implications:

The government's tax revenue may decline as a result of the introduction of tax exemptions for low-alcohol beverages. The government may need to look at alternative sources of funding or amend the tax code to make up for any potential income loss depending on the scope of the tax exemptions and the number of low-alcohol beverage sales.

- Compliance and enforcement:

Implementing tax exemptions for low-alcohol beverages would necessitate an efficient system for enforcing tax laws and monitoring compliance. To avoid any potential abuse or manipulation of alcohol content and to take advantage of the exemptions, tax authorities would need to make sure that businesses classify and register their products appropriately.

4. Tax credits for alocohol reduction programs

Tax credits for alcohol reduction programmes are financial rewards offered by governments to firms or organisations who create and carry out initiatives targeted at lowering alcohol consumption and problems associated with it in a community or population. These tax breaks are intended to stimulate the adoption of practical measures to combat alcohol misuse and advance the general welfare and safety.

Here are some key points regarding tax credits for alcohol reduction programs:

- Purpose:

The main goal of tax credits for alcohol reduction programmes is to encourage businesses to fund projects that lessen the harm associated with drinking. This can involve endeavours in research, public awareness campaigns, therapeutic services, preventative and education programmes, and outreach programmes in the community.

- Eligibility:

The requirements for tax credit eligibility vary by jurisdiction. Typically, non-profit organisations, healthcare providers, research institutions, and community-based alcohol harm prevention organisations are eligible for these incentives. Businesses that support programmes aimed at decreasing alcohol-related harm or invest in measures to promote responsible drinking, such as alcohol manufacturers or merchants, may also be eligible.

- Types of Tax Credits:

Depending on the jurisdiction and particular programme needs, tax credits can take a variety of shapes. They could be indirect credits like payroll tax exemptions or deductions, or they could take the form of direct credits against income tax responsibilities. The government or appropriate tax authorities decide on the tax credit's amount and the precise requirements for claiming it.

- Program Evaluation:

In order to qualify for tax credits, organisations are often required to show the effectiveness of their alcohol reduction programmes. This can entail offering proof of quantifiable results, such as a decline in alcohol-related accidents, better health results, or improved public awareness and education.

- Impact on Public Health:

Tax credits for alcohol reduction initiatives are intended to address the harmful effects of excessive alcohol use, including health problems, impaired driving, violence, and social disruption. Governments want to lessen alcohol-related harms and encourage healthy behaviours in communities by providing incentives for organisations to execute successful programmes.

5. Tax differentials for different types of alcohol

- Sprits (Hard Liquor):

Due to their higher alcohol content, spirits typically have higher tax rates than other alcoholic beverages. This comprises distilled beverages such liqueurs, vodka, rum, whisky, gin, and whisky. Depending on the nation, the tax rates might differ greatly and may be determined by the amount of alcohol in the product or its volume.

- Wine:

Wine taxes can vary depending on a number of variables, such as the wine's type (still, sparkling, fortified, etc.) and alcohol concentration. Higher alcohol content wines may be subject to higher taxes in various nations. Additionally, some regions might have particular taxes or rules that apply to the production and selling of wine.

- Beer:

In general, beer taxes are lower than those on wine and spirits. However, the tax rates can still change based on things like the volume, style, and alcohol concentration of the beer. Different tax classifications for various types of beer, such as standard beer, light beer, craft beer, or imported beer, may exist in some nations.

The production process, the origin of the components, and the goals of the government in terms of public health can all have an impact on tax differentials for alcoholic beverages. Alcoholic beverages may also be subject to additional excise taxes or sales taxes in some nations, which can further affect the overall tax disparities.

CONCLUSION.

In conclusion, a comparative study on taxation policy on liquor across different states reveals that the Indian government imposes various taxes on liquor to generate revenue. It is also very clear that states like Rajasthan, Gujarat and Bihar discourage liquor consumption. The revenue generated from the demand for alcohol is a substantial source of income for the state government. These revenues contribute to the overall economic growth. Excessive tax rates on liquor promotes responsible drinking and aims to reduce overall consumption of alcohol.

Each state in India has the authority to determine its taxation policy on liquor, leading to significant variation in rates and structure. However, alcohol is divided into different categories. One is for the human consumption and the other is used for industrial & medical use. The state government levies excise duties, VAT, license fees on the output of liquor while GST is imposed on the raw materials used for the preparation of liquor for human consumption, alcohol used for industrial purposes and medical uses, eg. Ethyl alcohol, spirits,etc.

The study reveals that their is potential drawbacks in current taxation policies governing liquor consumption. States imposing excessive tax rates leads to black marketing, illegal trade and smuggling of alcohol. This results in loss of revenue and social problem relating to consumption of illicit liquor. Whereas, states with low tax rates and a complete ban on liquor will have low revenue generation in general, increase in illicit supply of liquor and other social issues like domestic violence, increase in poverty, violation of fundamental rights,etc. It not only affects the socially, but also impacts the economic growth of the states. Tourism in the state is directly affected and attracts less investment.

In spite of the continuous efforts of the government, alcohol consumption has not been reduced in India. Excessive consumption had caused various socio-economic problems. The major drawback of increasing alcohol price results in illicit alcohol and discouraging its's use the, Indian government spends crores of rupees to reduce the flow of illicit alcohol.But, government can opt for demand supply policy. Under the demand supply policy, government can opt for two options, either it can reduce the demand for alcohol or restrict the supply. The demand curve of alcohol in inelastic, the quantity demanded is reduced by a lesser intensity than the extent of increase in price. The cost of vigilance is included in the cost of supply of alcohol with increases in the prices resulting in a shift in supply curve and establishing a new equilibrium price. The law of demand is attracted (keeping other factors constant), with the increase in supply demand of alcohol reduces but the reduction is much small because the price elasticity of demand for alcohol is highly inelastic.

The other alternate policy we have is to directly influence the consumption of alcohol by directly targeting the demand curve.Public announcements, create awareness, health awareness programs,etc, can be used to control the consumer's demand.And if successful, it could shift the demand curve to the left, reducing the quantity demanded.

Thus, a careful, balanced approach is crucial to achieving fiscal goals, responsible consumption of liquor and prevention of illegal liquor trade practices.

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LIST OF ABBREVIATIONS

AIR	All India Reporter
AIR(Mys)	All India Reporter (Mys)
SCC	Supreme Court Case
SCR	Supreme Court Reporter
SCC (Supp)	Supreme Court Cases (Supp)
JT	Judgment Today
TAXLR	Taxation Law Reporter
GST	Goods and service tax
IGST	Integrated Goods and Service Tax
CGST	Central Goods and Service tax
SGST	State Goods and Service tax
VAT	Value Added Tax
ITA	Income Tax Act
SC	Supreme Court
HC	High Court
EDR	Excise Duty Rate
IMFL	Indian Made Foreign Liquor
IMIL	India Made Indian Liquor
ITC	Input Tax Credit
RST	Retail Sales Tax
APBCL	Andhra Pradesh Beverages Corporation

	Limited
KSBC	Kerala State Beverages Corporation
MRP	Maximum Retail Price