



# **Report of the Comptroller and Auditor General of India**

for the year ended March 2004

## **Revenue Receipts**

**Government of West Bengal**



**Report of the  
Comptroller and Auditor General  
of India**

for the year ended March 2004

**Revenue Receipts**

**Government of West Bengal**

Recd from Mr.  
 Finance (Budget) Deptt.  
 on 11-8-25 vide Govt. of W.B.  
 Liby File No. 6P-1105  
 Rs. 96/-  
 (Free of Cost)  
 1X  
 53B-1



Acc. No. — 79311  
 WEST BENGAL SECRETARIAT LIBRARY

# CONTENTS

|          | Reference to<br>Paragraph | Page     |
|----------|---------------------------|----------|
| PREFACE  |                           | v        |
| OVERVIEW |                           | vii – ix |

## CHAPTER I GENERAL

|  |      |    |
|--|------|----|
| Trend of Revenue Receipts  | 1.1  | 1  |
| Initiative for Mobilisation of Additional Resources  | 1.2  | 3  |
| Analysis of budget preparation   | 1.3  | 3  |
| Variations between Budget estimates and actuals  | 1.4  | 4  |
| Analysis of collection   | 1.5  | 5  |
| Cost of collection   | 1.6  | 6  |
| Collection of Sales Tax per assessee   | 1.7  | 6  |
| Analysis of arrears of revenue   | 1.8  | 7  |
| Arrears in assessments   | 1.9  | 7  |
| Evasion of tax   | 1.10 | 8  |
| Refunds  | 1.11 | 8  |
| Results of audit   | 1.12 | 8  |
| Departmental Audit Committee Meetings  | 1.13 | 9  |
| Failure of senior officials to enforce accountability and protect interest of the Government | 1.14 | 10 |
| Follow up on Audit Reports- summarised position  | 1.15 | 12 |

## CHAPTER II SALES TAX

|   |     |    |
|---|-----|----|
| Results of audit  | 2.1 | 13 |
| <b>Review: Internal Control in Assessment and Collection of Sales Tax</b> | 2.2 | 14 |
| Incorrect determination of Gross Turnover                                 | 2.3 | 30 |
| Underassessment of tax due to incorrect deduction                         | 2.4 | 30 |
| Incorrect/irregular allowance of exemption from Gross Turnover            | 2.5 | 32 |
| Non/short levy of purchase tax  | 2.6 | 34 |
| Incorrect determination of Contractual Transfer Price                     | 2.7 | 35 |

---

|   | <b>Reference to<br/>Paragraph</b> | <b>Page</b> |
|---|-----------------------------------|-------------|
| Mistake in computation of tax                   | 2.8                               | 36          |
| Non/short raising of demand                     | 2.9                               | 36          |
| Application of incorrect rate of tax            | 2.10                              | 37          |
| Incorrect allowance of concessional rate of tax | 2.11                              | 38          |
| Non/short levy of penalty                       | 2.12                              | 39          |
| Non/short levy of interest                      | 2.13                              | 41          |

### **CHAPTER III LAND REVENUE**

|  |     |    |
|--|-----|----|
| Results of audit   | 3.1 | 43 |
| Non-realisation of rent and <i>salami</i>                                      | 3.2 | 44 |
| Loss of revenue due to non execution of long term lease                        | 3.3 | 44 |
| Non/short realisation of revenue due to irregular transfer of Government land  | 3.4 | 45 |
| Non-realisation of revenue due to non-settlement/non-realisation of lease rent | 3.5 | 46 |

### **CHAPTER IV STATE EXCISE**

|  |     |    |
|--|-----|----|
| Results of audit   | 4.1 | 49 |
| Non-realisation of duty on short/non-receipt of rectified spirit/India made foreign liquor during the course of import underbond | 4.2 | 50 |
| Non-realisation of excise duty on rectified spirit lost in transit   | 4.3 | 51 |
| Non-realisation of house rent allowance for not providing accommodation for excise officers and other establishment              | 4.4 | 53 |

### **CHAPTER V MOTOR VEHICLES TAX**

|                  |     |    |
|------------------|-----|----|
| Results of audit | 5.1 | 55 |
|------------------|-----|----|

|   | <b>Reference to<br/>Paragraph</b> | <b>Page</b> |
|---|-----------------------------------|-------------|
| Loss of revenue due to delay in issue of notification relating to fees                          | 5.2                               | 56          |
| Short realisation of permit fees due to non-implementation of the State Government notification | 5.3                               | 56          |
| Loss of revenue due to delay in issue of notification relating to fine                          | 5.4                               | 57          |
| Non/short realisation of road tax, additional tax and penalty from different kinds of vehicles  | 5.5                               | 58          |
| Failure to follow the prescribed system in connection with traffic offences                     | 5.6                               | 59          |

## **CHAPTER VI**

### **Stamp Duty and Registration Fees, Electricity Duty and Other Tax Receipts**

|  |     |    |
|--|-----|----|
| Results of audit   | 6.1 | 63 |
| <b>A. STAMP DUTY AND REGISTRATION FEES</b>                                     |     |    |
| Deficiencies in sale of stamps   | 6.2 | 64 |
| Blockage of revenue due to non-realisation of stamp duty and registration fees | 6.3 | 67 |
| <b>B. ELECTRICITY DUTY</b>   |     |    |
| Non-assessment and non-realisation of electricity duty                         | 6.4 | 68 |
| <b>C. OTHER TAX RECEIPTS</b>   |     |    |
| Non-realisation of professions tax due to non-enrolment                        | 6.5 | 69 |
| Non-levy of fine for exhibition of cinematograph without valid licence         | 6.6 | 70 |

## **CHAPTER VII**

### **MINES AND MINERALS**

|  |     |    |
|--|-----|----|
| Results of audit   | 7.1 | 71 |
| Non/short realisation of revenue from minerals extracted unauthorisedly      | 7.2 | 72 |
| Short realisation of royalty and cess due to application of pre revised rate | 7.3 | 72 |
| Non/short realisation of royalty and cesses on minor minerals                | 7.4 | 74 |

**CHAPTER VIII  
OTHER NON-TAX RECEIPTS**

|   |     |    |
|---|-----|----|
| Results of audit  | 8.1 | 75 |
| <b>A.     POLICE RECEIPTS</b>   |     |    |
| <b>Review: Assessment and Collection of receipts of<br/>Police Department</b>   | 8.2 | 76 |
| <b>B.     FOREST RECEIPTS</b>   |     |    |
| Short realisation of price of timber  | 8.3 | 86 |
| Loss of interest due to delayed remittance of sale<br>proceeds of timber        | 8.4 | 87 |
| <b>C.     RECEIPTS                FROM                OTHER<br/>DEPARTMENTS</b> |     |    |
| Non/short assessment of water rate  | 8.5 | 88 |

## **PREFACE**

This Report for the year ended 31 March 2004 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising sales tax, land revenue, stamp duty and registration fees, motor vehicles tax, professions tax, electricity duty, state excise, other tax receipts, mines and minerals, forest receipts and other non-tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 2003-04 as well as those noticed in earlier years but could not be covered in previous years' Reports.



## OVERVIEW

### I. General

This Report contains 36 paragraphs including two reviews relating to underassessment/short levy/loss of revenue etc. involving Rs.1,335.20 crore. Some of the major findings are mentioned below:

The total receipts of the Government for the year 2003-04 were Rs.16,608.50 crore. The revenue receipts of Rs.9,373.75 crore consisted of Rs.8,767.91 crore from taxes and Rs.605.84 crore from non-tax revenue. The State received Rs.5,341.65 crore as its share of divisible Union Taxes and Rs.1,893.10 crore as grants-in-aid.

*(Paragraph 1.1)*

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, taxes on agricultural income, forest and other departmental receipts conducted during the year 2003-04 revealed underassessment/short levy/loss of revenue etc. amounting to Rs.2,553.45 crore in 1,095 cases. During the course of the year 2003-04, the concerned Departments accepted underassessment etc. of Rs.620.51 crore involved in 635 cases of which 481 cases involving Rs.608.87 crore were pointed out in audit during 2003-04 and the rest in earlier years. A sum of Rs.1.90 crore was recovered at the instance of audit during the year 2003-04.

*(Paragraph 1.12)*

As on 30 June 2004, 1,141 inspection reports, issued up to December 2003 containing 3,388 audit observations involving Rs.810.75 crore, were outstanding for want of response or final action by the concerned Departments.

*(Paragraph 1.14)*

### II. Sales Tax

- Non-adherence to the provision of the Act led to loss of revenue of Rs.28.62 crore due to allowance of undue financial benefit in deemed assessment cases.

*(Paragraph 2.2.10)*

- Non-conducting of post assessment scrutiny led to non/short levy of tax, penalty and interest of Rs.5.24 crore

*(Paragraph 2.2.11)*

- Non-fixing of time limit for payment of assessed tax led to loss of interest of Rs.2.28 crore.

*(Paragraph 2.2.12)*

- Lack of internal control led to evasion of tax of Rs.2.44 crore on the goods transported though West Bengal to other States  
(Paragraph 2.2.14)
- Failure to incorporate interest in certificate cases led to non-levy of interest of Rs.9.43 crore  
(Paragraph 2.2.15)
- Non-fixing of time limit for initiation of recovery proceedings led to non realisation of dues of Rs.1,025.06 crore.  
(Paragraph 2.2.16)
- Inadequate pursuance of certificate demands led to non-recovery of Government dues in 1,284 cases.  
(Paragraph 2.2.17)
- Non-fixing of minimum as well as maximum number of allowable installments led to undue financial benefit of Rs.9.53 crore to the Certificate Debtors  
(Paragraph 2.2.18)

Incorrect determination of gross turnover in respect of 55 dealers in 60 cases resulted in short levy of tax including surcharge and additional surcharge of Rs.4.98 crore.

(Paragraph 2.3)

Non-imposition of penalty on concealed sales/purchases resulted in non/short levy of minimum penalty of Rs.3.35 crore in 37 cases.

(Paragraph 2.12.2)

### **III. Land Revenue**

Irregular transfer of 8.78 acres of Government land in three cases resulted in non-realisation of rent and salami of Rs.79.93 lakh

(Paragraph 3.4)

### **IV. State Excise**

Inaction on the part of the Department against three licensees resulted in non-realisation of duty and fee of Rs.8.13 crore on short/non-receipt of rectified spirit/India made foreign liquor.

(Paragraph 4.2)

## **V. Motor Vehicles Tax**

Failure to follow the prescribed system in connection with traffic offences resulted in non-realisation/loss of revenue of Rs.3.93 crore

*(Paragraph 5.6)*

## **VI. Stamp Duty and Registration Fees, Electricity Duty and Other Tax Receipts**

In six offices of professions tax, non-enrolment of 1,197 persons resulted in non-realisation of Government revenue of Rs.52.07 lakh

*(Paragraph 6.5)*

## **VII. Mines and Minerals**

Inaction on the part of the Department against illegal extraction of 155.76 lakh cft. of brick earth without any quarry permit resulted in non/short realisation of revenue of Rs.79.92 lakh.

*(Paragraph 7.2)*

## **VIII. Other Non-tax Receipts**

The review on "Assessment and Collection of receipts of Police Department revealed the following:

- The Department did not realise police cost of Rs.129.53 crore from Railways/Central Government

*(Paragraph 8.2.8)*

- Police cost of Rs.65.86 crore was not realised from Kolkata Port Trust

*(Paragraph 8.2.10)*

- Lack of control mechanism led to non/short assessment of police cost of Rs.6.01 crore

*(Paragraph 8.2.11)*

- Mistake in computation in raising of demand of police cost of Rs.7.18 crore was not noticed

*(Paragraph 8.2.12)*

- Laxity on the police authority in disposal of confiscated vehicles resulted in vehicles being stolen from their custody

*(Paragraph 8.2.13)*



## CHAPTER I GENERAL

### 1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of West Bengal during the year 2003-04, State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

|             |  | (Rupees in crore) |                  |                  |                  |                              |
|-------------|--|-------------------|------------------|------------------|------------------|------------------------------|
| Receipts    |  | 1999-2000         | 2000-01          | 2001-02          | 2002-03          | 2003-04                      |
| <b>I.</b>   | <b>Revenue raised by the State Government</b>          |                   |                  |                  |                  |                              |
| (a)         | Tax Revenue  | 5,100.83          | 5,944.72         | 6,534.48         | 7,046.40*        | 8,767.91                     |
| (b)         | Non-tax Revenue  | 587.22            | 1,214.53         | 775.88           | 654.33           | 605.84                       |
|             | <b>Total:</b>  | <b>5,688.05</b>   | <b>7,159.25</b>  | <b>7,310.36</b>  | <b>7,700.73</b>  | <b>9,373.75</b>              |
| <b>II.</b>  | <b>Receipts from the Government of India</b>           |                   |                  |                  |                  |                              |
| (a)         | State's share of net proceeds of divisible Union taxes | 2,984.41          | 4,208.44         | 4,289.37         | 4,586.74*        | 5,341.65 <sup>1</sup>        |
| (b)         | Grants-in-aid  | 1,538.64          | 3,154.49         | 2,938.69         | 2,237.98         | 1,893.10                     |
|             | <b>Total:</b>  | <b>4,523.05</b>   | <b>7,362.93</b>  | <b>7,228.06</b>  | <b>6,824.72</b>  | <b>7,234.75</b>              |
| <b>III.</b> | <b>Total Receipts of the State Government (I+II)</b>   | <b>10,211.10</b>  | <b>14,522.18</b> | <b>14,538.42</b> | <b>14,525.45</b> | <b>16,608.50<sup>2</sup></b> |
| <b>IV.</b>  | <b>Percentage of I to III</b>                          | <b>56</b>         | <b>49</b>        | <b>50</b>        | <b>53</b>        | <b>56</b>                    |

*\* In the Report for 2002-03, share of net proceed of Rs.31.34 crore from Central Government was wrongly treated as receipts of the State Government and has since been corrected.*

#### 1.1.1 Tax Revenue

The details of the tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

<sup>1</sup> For details, please see statement No.11 'detailed account of revenue by Minor Heads' in the Finance Accounts of the Government of West Bengal for the year 2003-04.

<sup>2</sup> Figures under the heads 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax-'Share of net proceeds assigned to States' booked in the Finance Accounts under A-Tax Revenue have been excluded from revenue raised by the State and included in State's share of divisible union taxes in this statement.

**Audit Report (Revenue Receipts) for the year ended 31 March 2004**

| <i>(Rupees in crore)</i> |   |                 |                 |                 |                 |                 |  |
|--------------------------|---|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| Sl.No.                   | Head of revenue   | 1999-2000       | 2000-01         | 2001-02         | 2002-03         | 2003-04         | Percentage of Increase(+) / decrease (-) in 2003-04 over 2002-03 |
| 1.                       | (a) Sales Tax   | 3,158.41        | 3,377.05        | 3,499.80        | 3,668.41        | 4,276.12        | (+)16.57   |
|                          | (b) Central Sales Tax   | 270.38          | 294.37          | 302.66          | 523.10          | 554.46          | (-)6.00  |
| 2.                       | State Excise  | 442.85          | 461.61          | 512.43          | 566.85          | 619.96          | (+)9.37  |
| 3.                       | Stamp Duty and Registration Fees  | 411.72          | 474.01          | 555.39          | 720.41          | 794.52          | (+)10.29   |
| 4.                       | Taxes and Duties on Electricity   | 145.13          | 160.19          | 354.76          | 145.42          | 396.16          | (+)172.42  |
| 5.                       | Taxes on Vehicles   | 185.57          | 282.53          | 208.65          | 249.40          | 535.37          | (+)114.66  |
| 6.                       | Other Taxes on Income and Expenditure-Tax on Professions, Trades, Callings and Employment | 192.19          | 214.91          | 223.04          | 223.34*         | 229.89          | (+)2.93  |
| 7.                       | Other Taxes and Duties on Commodities and Services  | 135.96          | 165.12          | 163.68          | 287.33*         | 366.17          | (+)27.44   |
| 8.                       | Land Revenue  | 148.44          | 510.80          | 711.22          | 658.29          | 993.26          | (+)50.88   |
| 9.                       | Other Taxes   | 10.18           | 4.13            | 2.85            | 3.85            | 2.00            | (-)48.05   |
|                          | <b>Total</b>  | <b>5,100.83</b> | <b>5,944.72</b> | <b>6,534.48</b> | <b>7,046.40</b> | <b>8,767.91</b> | <b>(+)24.43</b>  |

\* Since revised

### 1.1.2 Non-tax Revenue

The details of major non-tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

| <i>(Rupees in crore)</i> |   |               |                 |               |               |               |   |
|--------------------------|---|---------------|-----------------|---------------|---------------|---------------|---|
| Sl. No.                  | Head of revenue                                 | 1999-2000     | 2000-01         | 2001-02       | 2002-03       | 2003-04       | Percentage of Increase (+) / decrease (-) in 2003-04 over 2002-03 |
| 1.                       | Interest  | 110.08        | 673.60          | 122.90        | 102.75        | 110.11        | (+)7.16   |
| 2.                       | Dairy Development                               | 59.47         | 53.41           | 56.62         | 59.30         | 50.27         | (-)15.23  |
| 3.                       | Roads and Bridges                               | 16.64         | 24.79           | 20.42         | 22.30         | 22.08         | (-)0.99   |
| 4.                       | Forestry and Wildlife                           | 24.01         | 22.26           | 26.72         | 56.52         | 45.97         | (-)18.67  |
| 5.                       | Non-ferrous Mining and Metallurgical Industries | 14.49         | 13.51           | 7.95          | 6.87          | 13.91         | (+)102.47   |
| 6.                       | Food, Storage and Warehousing                   | 67.22         | 65.41           | 220.79        | 81.29         | 27.67         | (-)65.96  |
| 7.                       | Housing   | 7.39          | 7.73            | 7.93          | 9.94          | 11.12         | (+)11.87  |
| 8.                       | Medical and Public Health                       | 60.41         | 45.91           | 45.63         | 48.62         | 47.71         | (-)1.87   |
| 9.                       | Education, Sports, Art and Culture              | 6.87          | 17.63           | 39.61         | 17.28         | 21.20         | (+)22.69  |
| 10.                      | Public works                                    | 6.32          | 6.16            | 5.52          | 4.78          | 6.39          | (+)33.68  |
| 11.                      | Police  | 45.13         | 54.75           | 60.99         | 64.30         | 44.69         | (-)30.50  |
| 12.                      | Others  | 169.19        | 229.37          | 160.80        | 180.38        | 204.72        | (+)13.49  |
|                          | <b>Total</b>                                    | <b>587.22</b> | <b>1,214.53</b> | <b>775.88</b> | <b>654.33</b> | <b>605.84</b> | <b>(-)7.41</b>  |

The reasons for variation in receipts during the year 2003-04 compared to those of the year 2002-03 as shown in the Finance Accounts are mainly as under:

- Sales Tax.: The increase (16.57 per cent) was due to larger collection of Sales Tax.
- Taxes and Duties on Electricity: The increase (172.42 per cent) was due to larger collection of taxes and duties from 'Electricity'

- Taxes on Vehicles: The increase (114.66 per cent) was due to larger collection of taxes on vehicles
- Land Revenue: The increase (50.88 per cent) was due to larger collection of 'Land Revenue'
- Dairy Development: The decrease (15.23 per cent) was due to less collection of sale proceeds from 'Dairy Product'
- Forestry and Wildlife: The decrease (18.67 per cent) was due to less collection from 'Forestry and Wildlife'
- Non-ferrous Mining and Metallurgical Industries: The increase (102.47 per cent) was due to larger collection through 'Rent and Royalties' from Metallurgical Industries
- Food Storage and Warehousing: The decrease (65.96 per cent) was due to less collection of taxes from 'Warehousing'
- Police: The decrease (30.50 per cent) was due to less collection charges

## **1.2 Initiative for Mobilisation of Additional Resources**

In the budget for 2003-04, the Government proposed additional revenue collection of Rs.825 crore through introduction of a modern and improved tax system, aimed at better tax compliance and less evasion and not so much through increasing the tax rates, of which Rs.500 crore was expected to be collected by re-introduction of entry tax. Ultimately the entry tax was not introduced and as a post budgetary measure the Government increased the rates of tax on land revenue, stamp duty, tax on motor vehicles, sales tax on petrol and diesel and better collection of cess on coal and electricity duty from different power utilities and expected total revenue collection to reach at Rs.9,905 crore excluding receipts from entry tax against the target of Rs.9,851 crore. But actual collection of revenue during 2003-04 was Rs.9,374 crore and there was a deficit of Rs.531 crore.

## **1.3 Analysis of budget preparation**

As per provision of the Budget Manual, the Finance Department shall collect Budget Estimate and related information both for receipts and expenditure from the concerned Administrative Departments and prepare Budget Estimate of the State after necessary changes according to the policy of the Government. In the absence of non-receipt of relevant budgetary material

**Audit Report (Revenue Receipts) for the year ended 31 March 2004**

from the Administrative Departments, the Finance Department prescribed a guideline for preparing the budget estimate.

Scrutiny of relevant records revealed that the Finance Department did not receive budgetary materials from Administrative Department for preparation of Budget Estimate for 2003-04 and accordingly prepared the budget estimate on the basis of its guidelines as under:

The budget estimate for tax receipts for 2003-04 was prepared with a growth rate of 15 per cent over the revised estimate for 2002-03. Similarly the budget estimate for non-tax receipts for 2003-04 was prepared with a growth rate of 20 per cent over the revised estimate for 2002-03.

The budget estimate prepared by the Government did not appear to be on realistic basis except in the case of tax revenue for the year 2003-04 which would be evident from the table below:

| <b>(Rupees in crore)</b> |                        |                         |                |  |
|--------------------------|------------------------|-------------------------|----------------|--|
| <b>Year</b>              | <b>Budget Estimate</b> | <b>Revised Estimate</b> | <b>Actuals</b> | <b>Percentage of variation of actual collection over budget estimate</b> |
| <b>Tax Revenue</b>       |                        |                         |                |  |
| 1999-2000                | 5,752                  | 5,737                   | 5,101          | (-)11.32   |
| 2000-01                  | 6,908                  | 6,513                   | 5,945          | (-)13.94   |
| 2001-02                  | 8,044                  | 7,341                   | 6,534          | (-)18.77   |
| 2002-03                  | 8,275                  | 7,375                   | 7,046          | (-)14.85   |
| 2003-04                  | 8,707                  | 8,825                   | 8,768          | (+)0.70  |
| <b>Non-tax Revenue</b>   |                        |                         |                |  |
| 1999-2000                | 532                    | 703                     | 587            | (+)10.34   |
| 2000-01                  | 815                    | 1,331                   | 1,215**        | (+)49.08   |
| 2001-02                  | 1,009                  | 1,445                   | 776            | (-)23.09   |
| 2002-03                  | 1,808                  | 1,056                   | 654            | (-)63.83   |
| 2003-04                  | 1,144                  | 1,080                   | 606            | (-)47.02   |

**\*\* Loan of Rs.492.54 crore granted to WBSEB was contra credited to interest receipt.**

#### **1.4. Variations between Budget estimates and actuals**

The variations between the Budget estimates and actuals of revenue receipts for the year 2003-04 in respect of the principal heads of tax and non-tax revenue are given below:

| (Rupees in crore)                                     |                  |              |                                       |                         |
|---|------------------|--------------|---------------------------------------|-------------------------|
| Heads of Revenue                                      | Budget estimates | Actuals      | Variations excess (+) or shortfall(-) | Percentage of variation |
| <b>Tax Revenue</b>                                    |                  |              |                                       |                         |
| 1. Sales Tax  | 4,983            | 4,831        | (-)152                                | (-)3.05                 |
| 2. State Excise                                       | 633              | 620          | (-)13                                 | (-)2.05                 |
| 3. Land Revenue                                       | 1,029            | 993          | (-)36                                 | (-)3.50                 |
| 4. Taxes on Vehicles                                  | 310              | 535          | (+)225                                | (+)72.58                |
| 5. Stamp Duty and Registration Fees                   | 816              | 795          | (-)21                                 | (-)2.57                 |
| 6. Professions Tax                                    | 273              | 230          | (-)43                                 | (-)15.75                |
| 7. Electricity Duty                                   | 200              | 396          | (+)196                                | (+)98.00                |
| 8. Other Taxes and Duties on commodities and services | 447              | 366          | (-)81                                 | (-)18.12                |
| 9. Others   | 16               | 2            | (-)14                                 | (-)87.50                |
| <b>Total:</b>   | <b>8,707</b>     | <b>8,768</b> | <b>(+)61</b>                          | <b>(+)0.70</b>          |
| <b>Non-Tax Revenue</b>                                |                  |              |                                       |                         |
| 10. Forest Receipts                                   | 39               | 46           | (+)7                                  | (+)17.95                |
| 11. Interest Receipts                                 | 224              | 110          | (-)114                                | (-)50.89                |
| 12. Dairy Development                                 | 60               | 50           | (-)10                                 | (-)16.67                |
| 13. Food Storage and Warehousing                      | 223              | 28           | (-)195                                | (-)87.44                |
| 14. Medical and Public Health                         | 108              | 48           | (-)60                                 | (-)55.56                |
| 15. Education, Sports, Art and Culture                | 62               | 21           | (-)41                                 | (-)66.13                |
| 16. Public Works                                      | 8                | 6            | (-)2                                  | (-)25.00                |
| 17. Roads and Bridges                                 | 29               | 22           | (-)7                                  | (-)24.13                |
| 18. Police  | 88               | 45           | (-)43                                 | (-)48.86                |
| 19. Major and Medium Irrigation                       | 5                | 4            | (-)1                                  | (-)20.00                |
| 20. Minor Irrigation                                  | 11               | 16           | (+)5                                  | (+)45.45                |
| 21. others  | 287              | 210          | (-)77                                 | (-)26.83                |
| <b>Total:</b>   | <b>1,144</b>     | <b>606</b>   | <b>(-)538</b>                         | <b>(-)47.03</b>         |

- The reasons for variation though called for in March 2004, have not been received till December 2004.

### 1.5 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessment of sales tax, agricultural income tax, amusement tax for the year 2003-04 and the corresponding figures for the preceding two years as furnished by the Department is as follows:

**Audit Report (Revenue Receipts) for the year ended 31 March 2004**

| <b>(Rupees in crore)</b> |         |  |   |  |                 |                             |                             |
|--------------------------|---------|--|---|--|-----------------|-----------------------------|-----------------------------|
| Head of Revenue          | Year    | Amount collected at pre-assessment stage | Amount collected after regular assessment (additional demand) | Penalties for delay in payment of taxes and duties | Amount refunded | Net collection <sup>3</sup> | Percentage of column 3 to 7 |
| 1.                       | 2.      | 3.                                       | 4.  | 5.   | 6.              | 7.                          | 8.                          |
| Sales Tax                | 2001-02 | 3,786.57                                 | 27.43   | Nil  | 19.52           | 3,794.48                    | 100                         |
|                          | 2002-03 | 4,157.00                                 | 34.51   | Nil  | 14.78           | 4,176.73                    | 100                         |
|                          | 2003-04 | 4,766.86                                 | 64.75   | 12.68  | 104.14          | 4,740.15                    | 100                         |
| Agricultural Income Tax  | 2001-02 | 1.70                                     | 0.83  | Nil  | 1.82            | 0.71                        | 239                         |
|                          | 2002-03 | 1.46                                     | 0.97  | Nil  | 0.10            | 2.33                        | 63                          |
|                          | 2003-04 | 1.30                                     | 0.76  | 0.04   | 0.43            | 1.67                        | 78                          |
| Amusement Tax            | 2001-02 | 59.83                                    | 2.02  | Nil  | Nil             | 61.85                       | 97                          |
|                          | 2002-03 | 46.73                                    | 4.39  | Nil  | Nil             | 51.12                       | 91                          |
|                          | 2003-04 | 49.18                                    | 2.03  | 0.09   | 0.01            | 51.29                       | 96                          |

### 1.6 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2001-02 to 2003-04 along with the relevant all India average percentage of expenditure on collection to gross collection were as follows:

| <b>(Rupees in crore)</b>         |         |            |                                      |   |   |
|----------------------------------|---------|------------|--------------------------------------|---|---|
| Head of Revenue                  | Year    | Collection | Expenditure on collection of revenue | Percentage of expenditure on collection | All India Average percentage of collection for the year 2002-03 |
| Sales Tax                        | 2001-02 | 3,802.46   | 69.50                                | 1.83                                    | 1.18  |
|                                  | 2002-03 | 4,191.51   | 73.53                                | 1.75                                    |   |
|                                  | 2003-04 | 4,831.00   | 73.84                                | 1.52                                    |   |
| State Excise                     | 2001-02 | 512.43     | 38.32                                | 7.48                                    | 2.92  |
|                                  | 2002-03 | 566.85     | 37.61                                | 6.63                                    |   |
|                                  | 2003-04 | 620.00     | 38.53                                | 6.21                                    |   |
| Stamp Duty and Registration Fees | 2001-02 | 555.39     | 37.51                                | 6.75                                    | 3.46  |
|                                  | 2002-03 | 720.41     | 35.54                                | 4.93                                    |   |
|                                  | 2003-04 | 794.00     | 35.26                                | 4.44                                    |   |
| Taxes on Vehicles                | 2001-02 | 208.65     | 8.52                                 | 4.08                                    | 2.86  |
|                                  | 2002-03 | 249.40     | 8.40                                 | 3.37                                    |   |
|                                  | 2003-04 | 535.00     | 8.83                                 | 1.65                                    |   |

It would be seen from the above that the expenditure on collection under the respective heads is higher as compared to the national average.

### 1.7 Collection of Sales Tax per assessee

| Year      | No. of assessees | Sales Tax Revenue (Rupees in crore) | Revenue/assessee (Rupees in lakh) |
|-----------|------------------|-------------------------------------|-----------------------------------|
| 1999-2000 | 1,71,039         | 3,429                               | 2.00                              |
| 2000-01   | 1,79,011         | 3,671                               | 2.05                              |
| 2001-02   | 1,78,273         | 3,802                               | 2.13                              |
| 2002-03   | 1,85,050         | 4,192                               | 2.27                              |
| 2003-04   | 1,97,292         | 4,831                               | 2.45                              |

<sup>3</sup> The discrepancy in the net collection of revenue furnished by the department needs reconciliation with the Finance Accounts.

### 1.8 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue as furnished by the Departments amounts to Rs.1,489.21 crore of which in four cases Rs.96.67 crore out of Rs.1,147.24 crore were outstanding for more than five years as detailed in the following table:

| Head of Revenue         | (Rupees in crore)                      |   |
|-------------------------|--|---|
|                         | Amount outstanding as on 31 March 2004 | Amount outstanding for more than five years as on 31 March 2004 |
| Sales Tax               | 1,079.33                               | 53.83   |
| Electricity Duty        | 341.97                                 | Nil   |
| Amusement Tax           | 26.50                                  | 21.08   |
| Agricultural Income Tax | 30.66                                  | 18.26   |
| Excise Duty             | 10.75                                  | 3.50  |
| <b>Total:</b>           | <b>1,489.21</b>                        | <b>96.67</b>  |

Arrears of revenue under Sales Tax as furnished by the department do not agree with the figure of the Administrative Report for the year 2003-04 of the Commercial Tax Directorate as the amount of arrears involved in the pending certificate cases in five Courts having jurisdiction over North 24 Parganas, South 24 Parganas and Kolkata only was Rs.1453.81 crore as on 31 March 2004.

### 1.9 Arrears in assessments

The details of cases pending assessment at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of each during 2001-02 to 2003-04 as furnished by the Departments are given below:

| Year                           | Opening Balance | Cases due for assessment during the year | Total    | Cases finalised during the year | Balance at the close of the year | Arrears in percentage (against total cases) |
|--------------------------------|-----------------|--|----------|---------------------------------|----------------------------------|---|
| <b>Sales Tax</b>               |                 |  |          |                                 |                                  |   |
| 2001-02                        | 1,37,721        | 1,12,541                                 | 2,50,262 | 85,326                          | 1,64,936                         | 66  |
| 2002-03                        | 1,64,936        | 1,64,673                                 | 3,29,609 | 1,74,576                        | 1,55,033                         | 47  |
| 2003-04                        | 1,55,033        | 2,14,471                                 | 3,69,504 | 1,74,088                        | 1,95,416                         | 53  |
| <b>Professions Tax</b>         |                 |  |          |                                 |                                  |   |
| 2001-02                        | 2,06,600        | 41,151                                   | 2,47,751 | 67,519                          | 1,80,232                         | 73  |
| 2002-03                        | 1,80,232        | 59,899                                   | 2,40,131 | 72,726                          | 1,67,405                         | 70  |
| 2003-04                        | 1,67,405        | 38,955                                   | 2,06,360 | 54,224                          | 1,52,136                         | 74  |
| <b>Electricity Duty</b>        |                 |  |          |                                 |                                  |   |
| 2001-02                        | 282             | 360                                      | 642      | 159                             | 483                              | 75  |
| 2002-03                        | 483             | 82                                       | 565      | 54                              | 511                              | 90  |
| 2003-04                        | 511             | 56                                       | 567      | 512                             | 55                               | 10  |
| <b>Amusements Tax</b>          |                 |  |          |                                 |                                  |   |
| 2001-02                        | 3,204           | 1,423                                    | 4,627    | 753                             | 3,874                            | 84  |
| 2002-03                        | 3,874           | 3,204                                    | 7,078    | 1,863                           | 5,215                            | 74  |
| 2003-04                        | 5,215           | 3,709                                    | 8,924    | 2,575                           | 6,349                            | 71  |
| <b>Agricultural Income Tax</b> |                 |  |          |                                 |                                  |   |
| 2001-02                        | 2,263           | 441                                      | 2,704    | 607                             | 2,097                            | 78  |
| 2002-03                        | 2,097           | 564                                      | 2,661    | 416                             | 2,245                            | 84  |
| 2003-04                        | 2,245           | 485                                      | 2,730    | 255                             | 2,475                            | 91  |

### Audit Report (Revenue Receipts) for the year ended 31 March 2004

It would be seen from the above table that percentage of cases pending disposal at the end of each financial year was significantly large.

#### **1.10 Evasion of Tax**

The details of cases of evasion of tax detected by the Finance and State Excise Departments, cases finalised and the demands for additional tax raised as reported by the Departments are given below:

| Name of tax/duty | Cases pending as on 31 March 2003 | Cases detected during 2003-04 | Total | No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised |                                  | No. of cases pending finalisation as on 31 March 2004 |
|------------------|-----------------------------------|-------------------------------|-------|---|----------------------------------|---|
|                  |                                   |                               |       | No. of cases  | Amount demanded (Rupees in lakh) |   |
| Sales Tax        | 23*                               | 18                            | 41    | 12  | 3.31                             | 29  |
| State Excise     | 7                                 | Nil                           | 7     | Nil   | Nil                              | 7   |
| Amusement Tax    | 21                                | 12                            | 33    | 12  | Nil                              | 21  |

\* Revised figure as furnished by the Department

#### **1.11 Refunds**

The number of refund cases pending at the beginning of the year 2003-04, claims received during the year and refunds at the close of the year 2003-04, as reported by the departments were as follows:

|   | Sales Tax    |        | Amusement Tax |        | Agricultural Income Tax |        |
|---|--------------|--------|---------------|--------|-------------------------|--------|
|   | No. of cases | Amount | No. of cases  | Amount | No. of cases            | Amount |
| Claims outstanding at the beginning of the year | 147          | 263.90 | Nil           | Nil    | 8                       | 9.73   |
| Claims received during the year                 | 319          | 273.13 | 2             | 0.88   | 13                      | 46.36  |
| Refunds made during the year                    | 273          | 344.10 | 1             | 0.61   | 12                      | 43.07  |
| Balance outstanding at the end of the year      | 193          | 192.93 | 1             | 0.27   | 9                       | 13.02  |

#### **1.12 Results of Audit**

Test check of records of sales tax, land revenue, stamp duty and registration fees, motor vehicles tax, state excise, electricity duty, other tax receipts, forest receipts and other non-tax receipts conducted during the year 2003-04 revealed under-assessment/short levy/loss of revenue amounting to Rs.2,553.45 crore in 1,095 audit observations. During the course of the year the departments accepted under-assessment of Rs.620.51 crore in 635 audit observations of which 481 audit observations involving Rs.608.87 crore were pointed out in audit during 2003-04 and the rest in earlier years and recovered

Rs.1.90 crore. No replies have been received in respect of the remaining cases.

This Report contains 36 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc., involving Rs.1,335.20 crore. The Departments have accepted audit observations involving Rs.483.13 crore of which Rs.8.31 lakh had been recovered upto December 2004 While paragraphs involving Rs.23.33 crore have been contested by the departments, no reply has been furnished in other cases.

### **1.13 Departmental Audit Committee Meetings**

For prompt settlement of very old outstanding Inspection Reports through discussion among senior officers of concerned Administrative Department, the Finance Department and the officers of the office of the Accountant General (AG), West Bengal, Departmental Audit Committee were constituted by the Government in the year 1985.

For this purpose meetings of Audit Committees consisting of the Secretary of the Administrative Department concerned, a senior officer of the Finance Department not below the rank of the Joint Secretary and representative of the office of the AG, West Bengal should be convened by the Administrative Department concerned.

During the last three years total number of meetings held and number of paras settled are given below:

| Year    | Name of the Department | Number of meeting(s) held | Number of paragraphs settled | (Rupees in crore)                     |
|---------|------------------------|---------------------------|------------------------------|---------------------------------------|
|         |                        |                           |                              | Money Value of the paragraphs settled |
| 2001-02 | Finance                | 1                         | 21                           | 0.21                                  |
|         | State Excise           | 1                         | 16                           | 7.66                                  |
|         | Public Works           | 1                         | 06                           | 0.10                                  |
| 2002-03 | Public Works           | 1                         | Nil                          | Nil                                   |
| 2003-04 | Public Works           | 1                         | Nil                          | Nil                                   |
|         | Forest                 | 1                         | Nil                          | Nil                                   |

The other departments did not respond to hold Audit Committee Meeting although reminded several times till December 2004.

**1.14 Failure of senior officials to enforce accountability and protect interest of the Government**

Accountant General (Local Bodies Audit) arranges periodical inspection of Government Departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspections Reports (IRs). When important irregularities are detected during inspection but not settled on the spot, these are included in IRs issued to the heads of offices inspected with copies to next higher authorities for taking prompt corrective action. Government have provided that first replies to the IRs may be furnished within three weeks of receipt thereof by the heads of offices. The heads of offices/ Government are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG within two months from the dates of issue of the IRs. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of the AG.

Inspection Reports issued up to December 2003 disclosed that 3,388 paragraphs involving money value of Rs.810.75 crore relating to 1,141 IRs remained outstanding at the end of June 2004. Of these, 197 IRs containing 375 paragraphs involving money value of Rs.48.26 crore had not been settled for more than 10 years by the Finance Department in respect of sales tax, amusements tax, agricultural income tax, professions tax, electricity duty and stamp duty and registration fees, by the Forest Department in respect of forest receipts, by the Commerce and Industries Department in respect of mines and minerals, by the Transport Department in respect of taxes on motor vehicles, by the Land and Land Reforms Department in respect of land revenue and other Departments in respect of other departmental receipts. Even the first replies, required to be received from the heads of offices within three weeks from the date of issue of the IRs, were not received in respect of 1,587 paragraphs of 433 IRs issued between March 1984 and December 2003. As a result, the serious irregularities commented upon in these IRs had not been settled as of 30 June 2004.

Department-wise break-up of IRs and audit observations outstanding as on 30 June 2004 is given below:

(Rupees in crore)

| Sl. No. | Department                           | Position of Inspection Reports issued up to December 2003 but not settled at the end of June 2004 |                    |               | Position of Inspection Reports and paragraphs not settled for more than 10 years |                    |              | Position of Inspection Reports in respect of which first reply not received |                    |                                   |
|---------|--------------------------------------|---|--------------------|---------------|--|--------------------|--------------|---|--------------------|-----------------------------------|
|         |                                      | No. of IRs  | No. of Para-graphs | Money value   | No. of IRs   | No. of Para-graphs | Money value  | No. of IRs  | No. of Para-graphs | Earliest year to which IR relates |
| 1       | Finance                              |   |                    |               |  |                    |              |   |                    |                                   |
|         | (a) Sales Tax                        | 158   | 764                | 48.93         | 6  | 12                 | 0.34         | 41  | 271                | 1999-2001                         |
|         | (b) Professions Tax                  | 103   | 274                | 14.15         | 20   | 30                 | 3.82         | 55  | 129                | 1998-99                           |
|         | (c) Stamp Duty and Registration Fees | 199   | 320                | 25.06         | 17   | 27                 | 0.64         | 89  | 132                | 1995-96                           |
|         | (d) Electricity Duty                 | 47  | 92                 | 142.31        | 14   | 22                 | 3.20         | 11  | 45                 | 1998-99                           |
|         | (e) Agricultural Income Tax          | 14  | 23                 | 1.84          | 2  | 5                  | 0.03         | 5   | 7                  | 1991-92                           |
|         | (f) Amusements Tax                   | 63  | 112                | 19.64         | --   | --                 | --           | 30  | 68                 | 1982-83                           |
|         | (g) Luxury Tax                       | 12  | 21                 | 0.16          | 5  | 6                  | 0.07         | 7   | 12                 | 2000-01                           |
| 2.      | Forest                               |   |                    |               |  |                    |              |   |                    |                                   |
|         | Forest Receipts                      | 79  | 158                | 18.67         | 8  | 10                 | 0.40         | 40  | 128                | 1996-97                           |
| 3.      | Commerce and Industries              |   |                    |               |  |                    |              |   |                    |                                   |
|         | Mines and Minerals                   | 104   | 372                | 28.45         | 28   | 59                 | 2.97         | 23  | 100                | 1991-92                           |
| 4.      | Land and Land Reforms                |   |                    |               |  |                    |              |   |                    |                                   |
|         | Land Revenue                         | 121   | 652                | 358.38        | 47   | 154                | 15.68        | 25  | 150                | 1990-91                           |
| 5.      | Excise                               |   |                    |               |  |                    |              |   |                    |                                   |
|         | State Excise                         | 44  | 111                | 30.66         | --   | --                 | --           | 16  | 53                 | 1991-92                           |
| 6.      | Transport                            |   |                    |               |  |                    |              |   |                    |                                   |
|         | Motor Vehicles                       | 109   | 271                | 9.38          | 28   | 25                 | 0.15         | 72  | 431                | 1999-2000                         |
| 7.      | Other                                |   |                    |               |  |                    |              |   |                    |                                   |
|         | Departmental Receipts                | 88  | 218                | 113.12        | 22   | 37                 | 20.96        | 19  | 61                 | 1994-95                           |
|         | <b>Total</b>                         | <b>1,141</b>  | <b>3,388</b>       | <b>810.75</b> | <b>197</b>   | <b>375</b>         | <b>48.26</b> | <b>433</b>  | <b>1,587</b>       |                                   |

The above position indicate the failure of departmental offices to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs of the AG. The Principal Secretaries/Secretaries of the Departments, who were informed of the position through half-yearly reports, also failed to ensure that the concerned officers took prompt and timely action.

## **Audit Report (Revenue Receipts) for the year ended 31 March 2004**

### **1.15 Follow up on Audit Reports-summarised position**

As per the Rules of Procedure of the Committee on Public Accounts of the West Bengal Legislative Assembly (Internal Working) framed in 1997, the concerned Department shall take necessary steps to send its Action Taken Notes (ATN) on the recommendations contained in the Report of the Public Accounts Committee (PAC) on the Audit Report within six months from the date of its presentation to the House. The position of outstanding ATNs due from the departments is shown below:

| Particulars of the PAC Report   | Date of presentation in the Assembly | Name of the department     | Year of Audit Report                     | No. of ATNs due  |
|---------------------------------|--------------------------------------|----------------------------|--|------------------|
| Sixth Report of 1987-88         | 20 April 1988                        | Excise                     | 1978-79<br>1980-81                       | 3<br>3           |
| Seventeenth Report of 1988-89   | 5 May 1989                           | Irrigation and Waterways   | 1978-79<br>1983-84                       | 3<br>1           |
| Twentysecond Report of 1990-91  | 26 March 1991                        | Transport                  | 1979-80<br>1980-81                       | 1<br>1           |
| Second Report of 1991-92        | 9 April 1992                         | Board of Revenue           | 1980-81<br>1982-83<br>1983-84<br>1984-85 | 4<br>1<br>1<br>1 |
| Seventh Report of 1991-93       | 23 March 1993                        | Finance                    | 1983-84                                  | 1                |
| Seventeenth Report 1993-94      | 31 March 1994                        | Land and Land Reforms      | 1981-82<br>1985-86<br>1986-87            | 1<br>2<br>2      |
| Twentysecond Report of 1994-95  | 17 April 1995                        | Excise                     | 1984-85                                  | 2                |
| Twentythird Report of 1994-96   | 1 August 1995                        | Finance                    | 1981-82                                  | 1                |
| Twentyfifth Report of 1994-96   | 1 August 1995                        | Transport<br>Home (Police) | 1983-84<br>1988-89                       | 1<br>1           |
| Seventeenth Report of 1998-99   | 28 June 1999                         | Land and Land Reforms      | 1988-89<br>1990-91<br>1992-93            | 1<br>1<br>1      |
| Twentyfourth Report of 1998-99  | 16 July 1999                         | Forest                     | 1992-93                                  | 1                |
| Twentyninth Report of 1999-2000 | 2 December 1999                      | Irrigation and Waterways   | 1990-91                                  | 1                |
| Eighth Report of 2001-2002      | 8 July 2002                          | Forest                     | 1996-97                                  | 6                |
| Sixteenth Report of 2002-03     | 8 July 2003                          | Finance                    | 1997-98<br>1998-99                       | 1<br>2           |
| Twenty second Report of 2003-04 | 7 July 2004                          | Finance                    | 1998-99                                  | 8                |
| <b>Total:</b>                   |                                      |                            |  | <b>52</b>        |

In respect of the Audit Reports from 1992-93 to 2002-03 departmental replies to 30 selected and 250 unselected paragraphs out of total 65 selected and 646 unselected paragraphs have been received (December 2004).

Department failed to submit ATNs within six months in respect of 52 paragraphs included in the Audit Reports upto the year ended March 1999.

## CHAPTER II SALES TAX

### 2.1 Results of audit

Test check of records relating to sales tax, conducted in audit during the year 2003-04, revealed non-assessment/underassessments of tax and other irregularities involving Rs.1,536.49 crore in 512 cases, which broadly fall under the following categories:

| <i>(Rupees in crore)</i> |  |              |                 |
|--------------------------|--|--------------|-----------------|
| Sl. No.                  | Categories   | No. of cases | Amount          |
| 1.                       | Non/short levy of interest and penalty                                 | 158          | 9.26            |
| 2.                       | Irregular deduction/exemption  | 106          | 4.03            |
| 3.                       | Non/short levy of surcharge and additional surcharge                   | 17           | 0.25            |
| 4.                       | Incorrect determination of gross turnover/taxable turnover             | 37           | 1.09            |
| 5.                       | Application of incorrect rate and mistake in computation               | 26           | 0.68            |
| 6.                       | Review on "Internal control in assessment and collection of Sales Tax" | 127          | 1,519.60        |
| 7.                       | Other cases  | 41           | 1.58            |
| <b>Total:</b>            |  | <b>512</b>   | <b>1,536.49</b> |

During the course of the year 2003-04, the concerned Department accepted underassessments etc. of Rs.267.74crore involved in 268 cases of which 219 cases involving Rs.260.38 crore had been pointed out in audit during the year 2003-04 and the rest in earlier years. An amount of Rs.12.63 lakh was realised at the instance of audit.

A few illustrative cases involving Rs.20.76 crore and a review on 'Internal Control in assessment and collection of Sales Tax' involving financial effect of Rs.1,083.11 crore are given in the following paragraphs:

## **2.2 Review on “Internal Control in Assessment and Collection of Sales Tax”**

### **Highlights**

- Non-adherence to the provision of the Act led to loss of revenue of Rs.28.62 crore due to allowance of undue financial benefit in deemed assessment cases  
(Paragraph 2.2.10)
- Non-conducting of post assessment scrutiny led to non/short levy of tax, penalty and interest of Rs.5.24 crore  
(Paragraph 2.2.11)
- Non-fixing of time limit for payment of assessed tax led to loss of interest of Rs.2.28 crore  
(Paragraph 2.2.12)
- Lack of internal control led to evasion of tax of Rs.2.44 crore on the goods transported through West Bengal to other states  
(Paragraph 2.2.14)
- Failure to incorporate interest in certificate cases led to non-levy of interest of Rs.9.43 crore  
(Paragraph 2.2.15)
- Non-fixing of time limit for initiation of recovery proceedings led to non realisation of dues of Rs.1,025.06 crore  
(Paragraph 2.2.16)
- Inadequate pursuance of certificate demands led to non-recovery of Government dues in 1,284 cases.  
(Paragraph 2.2.17)
- Non-fixing of minimum as well as maximum number of allowable instalments led to undue financial benefit of Rs.9.53 crore to the certificate debtors  
(Paragraph 2.2.18)

### **2.2.1 Introduction**

Assessment, levy and collection of Sales Tax, earlier governed under Bengal Finance (Sales Tax) Act, 1941 and West Bengal Sales Tax Act, 1954, are now governed under West Bengal Sales Tax (WBST) Act, 1994 and Rules made thereunder. Besides, Central Sales Tax (CST) Act, 1956 and rules made thereunder are in operation for interstate sales. Tax, interest and penalty are assessed and recovered under the provisions of the Acts and dues that remain unpaid, constitute arrears in sales tax. These are recoverable as arrears of land revenue under the Public Demands Recovery (PDR) Act, 1913.

### **2.2.2 Organisational set up**

The overall control and superintendence of the Sales Tax Organisation is vested with the Commissioner of Commercial Taxes (CCT), who is assisted by two Special Commissioners, 21 Additional Commissioners, 77 Deputy Commissioners (DCCT), 288 Assistant Commissioners (ACCT) and 726 Commercial Tax Officers (CTO) for administering the provisions of the Acts and Rules made thereunder. An Internal Audit Wing was set up in May 1991 for ensuring compliance of different control measures.

### **2.2.3 Scope of Audit**

The assessment and collection records for the years 1998-99 to 2002-03 of nine<sup>1</sup> Circles and 18<sup>2</sup> Charge Offices out of 17 circle offices and 70 charge offices, in addition to Office of the CCT, Central Section, Bureau of Investigation (BOI), Certificate Offices (CO) at Siliguri, Asansol, Durgapur, Tax Recovery Office (TRO), Kolkata and 24 Parganas, Range offices and Check Posts at Siliguri, Durgapur, Asansol and Kharagpur were test checked during October 2003 to March 2004.

### **2.2.4 Objectives**

Detailed analysis of internal control in assessment and collection of Sales Tax was conducted with a view to ensure that:

- revenue in the shape of tax, penalty and interest has been properly assessed, levied, collected and remitted to Government account;
- no remission or exemption was allowed except under order of competent authority;
- departmental machinery was functioning properly for compliance of rules, procedure, departmental instructions to safeguard the revenue against errors, evasions and fraud; and
- internal Audit was functional and effective.

### **2.2.5 Trend of revenue**

The position of budget estimates and actual collection of revenue during 1998-99 to 2002-03 was as under:

---

<sup>1</sup> Asansol, Behala, Chowringhee, Corporate Division, Durgapur, Kolkata (South), Kolkata (North), Siliguri and 24 Parganas.

<sup>2</sup> Alipur, Asansol, Ballygunj, Barrackpore, Bhawanipur, Behala, Corporate Div. I, II and III, Cossipore, Durgapur, Esplanade, Jorabagan, Lalbazar, Park Street, Salt Lake, Siliguri and Taltala.

***Audit Report (Revenue Receipts) for the year ended 31 March 2004***

| <b>(Rupees in crore)</b> |                        |                        |  |   |
|--------------------------|------------------------|------------------------|--|---|
| <b>Year</b>              | <b>Budget estimate</b> | <b>Actual receipts</b> | <b>Variations increase (+) / shortfall (-)</b> | <b>Percentage of variation increase (+) / shortfall (-)</b> |
| 1998-1999                | 3,219.07               | 3,117.97               | (-)101.10                                      | (-)3.14   |
| 1999-2000                | 3,500.00               | 3,428.79               | (-)71.21                                       | (-)2.03   |
| 2000-2001                | 4,000.00               | 3,671.42               | (-)328.58                                      | (-)8.21   |
| 2001-2002                | 4,100.00               | 3,802.46               | (-)297.54                                      | (-)7.26   |
| 2002-2003                | 4,715.00               | 4,192.00               | (-)523.00                                      | (-)11.09  |

It would be seen from the above that variation between budget estimates and actuals was not significant but it showed an increasing trend. The reasons for variation though called for have not yet been received (December 2004).

**2.2.6 Arrears of revenue**

Arrears of revenue at the end of March 2003 as furnished by the department were as under:

| <b>(Rupees in crore)</b>                 |  |
|--|--|
| <b>Year ending 31<sup>st</sup> March</b> | <b>Amount outstanding as on 31<sup>st</sup> March</b>                                      |
| 1999                                     | Figures of the years 1999 and 2000 were not furnished by the department though called for. |
| 2000                                     |  |
| 2001                                     | 1,609.54   |
| 2002                                     | 1,596.42   |
| 2003                                     | 1,304.09   |

The basis for compilation of arrears, though called for, was not produced to audit. But as per information collected by audit from 18 charge offices out of 70, nine Appellate authorities out of 17, four COs/TRO out of 20, the arrears of revenue at the end of March 2003 were Rs.1,811.89 crore as detailed below:

| <b>(Rupees in crore)</b>  |                                       |                                      |
|---|---------------------------------------|--------------------------------------|
| <b>Nature of observation</b>  | <b>No. of circles/ charge offices</b> | <b>Amount of arrears outstanding</b> |
| Failure to initiate follow up action for recovery of assessed dues                                  | 18 charges                            | 831.89                               |
| Unrealised dues in successive ex parte assessments  | 15 charges                            | 150.94                               |
| Failure in recovery of arrears following appellate order  | 7 charges                             | 31.90                                |
| Cancellation of registration without realising dues   | 10 charges                            | 10.33                                |
| Arrears as locked up in appeal cases on the basis of petitions filed in between 2001-02 and 2002-03 | 9 circles                             | 613.17                               |
| Certificate cases remained out of accounts  | 12 charges                            | 173.66                               |
| <b>Total:</b>   |                                       | <b>1,811.89</b>                      |

In addition to the above, the arrears involved in certificate cases were shown by the department as Rs.1,395.86 crore which was more than the total arrears projected by the department itself.

Thus it would be seen from the above that the department was not aware of the total arrears pending collection and these need reconciliation. A reference was

made to the Government in November 2002 followed by reminders issued in February 2003, May 2003 and June 2003 but no reply was received.

A mechanism needs to be developed to monitor the collection of arrears depicted as collection of revenue has a direct impact on the revenue of the state.

The amount of arrears outstanding of these charge/circle offices/TRO/COs as calculated by audit is discussed in the following paragraphs.

### **2.2.7 Non-imposition of penalty in Registering cases beyond the time limit**

Under WBST Act, a dealer, liable to pay tax, shall get himself registered. The Assessing Authority may impose penalty on a dealer who fails to get himself registered within two months from the date of accrual of liability to pay tax. The minimum amount of penalty that can be imposed is Rs.500 and the maximum Rs.1,000/- per month of default. The CCT in a circular issued in June 1991 directed all the Assessing Authorities to justify and record the reasons in the assessment order in case of non-imposition of penalty. However, there was no mechanism to report the number of cases, where penalty was not imposed for delayed registration, to the next higher authority for verification.

Scrutiny of cases registered between 1998-99 and 2002-03 in 11<sup>3</sup> charges revealed that in 118 cases, dealers got themselves registered beyond two months from the date of accrual of liability. Neither any penalty was imposed by the Registering authorities nor was any reason assigned by them. This resulted in non-realisation of Government revenue of Rs 10.91 lakh. This also escaped the notice of the higher authorities as they had no mechanism to verify and ascertain the levy of penalty.

After this was pointed out, two charge offices (Esplanade and Siliguri ) accepted audit observations in 12 cases. However, five charge offices stated that the penalty was discretionary and was not levied. The reply was not tenable since the Registering authority did not record any reasons for applying discretion as required under the circular. The final reply from the remaining charge offices was not received (December 2004)

---

<sup>3</sup> Ballygunj, Barrackpore, Bhawampur, Behala, Durgapur, Esplanade, Jorabagan, Lalbazar, Salt Lake, Siliguri and Taltala.

## **2.2.8 Evasion of tax due to non-verification of returns and declaration forms**

Under the Sales Tax Laws of West Bengal, registered dealers are required to submit their periodical returns in prescribed forms within a prescribed time-limit showing details of turnover, tax admitted and proof of payment of admitted tax. As per departmental circular issued in May 1990, CTOs and Inspectors posted in specified circles are entrusted with the responsibility of verification of returns immediately after their filing by the dealers in order to detect suppression of sales etc. The CCT in a circular issued in April 1970, instructed all the assessing officers to conduct cross verification of declaration forms in respect of inter state sales and branch transfers with the issuing states in the eastern region in 10 per cent cases and to maintain a register as prescribed.

Test check of records of eight<sup>4</sup> Circle Offices and 13<sup>5</sup> Charge Offices assessed between 1998-99 and 2002-03 revealed that no records were maintained for verification of returns and declaration forms. Consequently, the extent of cross verifications done could not be ascertained. However, it was noticed that 13 cases of fake inter-state sales and stock transfers involving Rs.49.97 crore were detected by the Bureau of Investigation during 1998-99 to 2002-03 after a delay of 14 to 110 months. Of these Rs.39.95 lakh became barred by limitation of time. This indicates that system regarding the verification of returns was weak and needs strengthening so that the fake cases of sales tax or inter state sales are detected in time.

## **2.2.9 Assessment**

Assessment of sales tax is done by the designated officers on the basis of return filed by the dealers and on verification of books of accounts etc. under the provisions of Sales Tax Laws of the State. Best judgement assessment of tax is also made where a dealer fails to file any return and/or where the Assessing officer is satisfied that the returns furnished are incorrect and incomplete. In case, where the dealer fails to appear with books of accounts, assessment may be completed exparte to the best of judgement of the Assessing officer after giving him reasonable opportunity of being heard.

---

<sup>4</sup> Asansol, Behala, Chowringhee, Durgapur, Kolkata (South), Kolkata (North), Siliguri and 24 Parganas.

<sup>5</sup> Alipur, Asansol, Barrackpore, Bhawanipur, Behala, Cossipore, Durgapur, Esplanade, Jorabagan, Lalbazar, Salt Lake, Siliguri and Taltala.

Provisions have also been made in the Sales Tax Act for making deemed assessments by accepting the returns as filed up to the period of eligibility, without calling for the production of books of accounts.

### **Delay in assessments and consequent locking up of revenue**

Under the WBST Act, an assessment is required to be completed within 24 months from the end of the year in respect of which the assessment is made with an extension of time for three months viz. grace period, upto June of the respective year. However no norms have been fixed for monthly assessment of cases.

Scrutiny of assessment records of 15 charge offices revealed that 53,028 cases were assessed between 1998-99 and 2002-03 of which 40,821 cases were assessed during the grace periods. Charge wise percentage of assessments made in the last three months ranged between 66.22 per cent and 90.22 per cent as detailed below:

| <i>Name of the Charge</i>    | <i>Total No. of assts completed during 1998-99 to 2002-03</i> | <i>No. of asstt. made during grace period</i> | <i>Percentage of asstt. made in grace period to the total assessments</i> |
|------------------------------|---|---|---|
| Ballygunj                    | 2,951   | 2,017   | 68.35   |
| Parkstreet                   | 4,272   | 3,237   | 75.77   |
| Cossipur                     | 1,062   | 858   | 80.79   |
| Salt Lake                    | 1,436   | 1,160   | 80.78   |
| Behala                       | 5,500   | 4,310   | 78.36   |
| Alipur                       | 4,996   | 3,478   | 69.62   |
| Siliguri                     | 9,345   | 8,431   | 90.22   |
| Lalbazar                     | 2,758   | 2,058   | 74.62   |
| Jorabagan                    | 1,699   | 1,125   | 66.22   |
| Taltala                      | 2,655   | 1,874   | 70.58   |
| Barrackpore                  | 5,401   | 4,167   | 77.15   |
| Corporate Div. I, II and III | 2,764   | 2,449   | 88.60   |
| Asansol                      | 8,189   | 5,657   | 69.08   |
| <b>Total:</b>                | <b>53,028</b>   | <b>40,821</b>                                 |   |

Clearance of huge number of assessment cases in the grace period resulted in non/short levy of tax, penalty and interest which is quite evident from the fact that 870 cases of which mistakes and errors involving money value of Rs.54.11 crore featured in last two Audit Reports of 2001-02 and 2002-03 of which 604 cases involving money value of Rs.41.09 crore were assessed in the grace period. This indicates that the assessments were made in a haste and there was a need for fixing monthly norms for finalisation of the assessments.

### **2.2.10 Deemed Assessments: Loss of revenue due to allowance of irregular financial benefit**

Under the WBST Act, assessment cases of all the dealers for the periods ending March 1998 and March 1999, having turnover below Rs.3.00 crore would be deemed to have been completed on 31 December 1999 subject to the condition that the dealers shall submit all the declaration forms and certificates necessary for claiming concession/exemption to the assessing authority up to 31 March 2001. In case of failure to do so, they were liable to make payment of the balance tax in respect of such unsupported sales or the cases were liable to be reopened within four years i.e. up to December 2003. As per a judicial pronouncement<sup>6</sup>, if a return is not supported by declaration forms for claims of concessional rate of tax, it is to be treated as incorrect and the deemed assessment case is liable to be reopened. A register in Form 54 (control register) is required to be maintained by each charge office.

Scrutiny of records revealed that the Assessing Officers in 15<sup>7</sup> charge offices did not maintain any register to watch the collection/submission of declaration forms etc. submitted by the deemed assesses. In the absence of said register, the correctness of concessions/exemptions claimed by the dealers could not be ascertained. However, test check of returns filed by the dealers revealed that in 822 cases the dealers availed of concessional rate of tax on a turnover of Rs.392.24 crore involving tax of Rs.28.62 crore without production of supporting declaration forms and certificates. This resulted in irregular allowance of financial benefit of Rs.28.62 crore, causing loss of revenue as the cases became barred by limitation of time in December 2003.

Failure to maintain control registers, acceptance of incorrect return as well as non-reopening of these incorrect cases are clearly indicative of the departmental failure to apply the provision of Acts/Rules.

### **2.2.11 Failure to conduct post assessment scrutiny**

As per circular of April 1983 issued by the CCT, the DCCTs shall check 10 per cent of assessments made by an officer under him in a month by 10th of the following month. Similarly, the Addl. Commissioner shall scrutinise at least 10 percent of the cases checked by the DCCTs. A quarterly report on such checking was also to be sent to the CCT.

---

<sup>6</sup> Joydev Marik V/S Commissioner of Commercial Taxes, West Bengal and others, 1999 (115 STC 435)

<sup>7</sup> Alipur, Ballygunj, Barrackpore, Behala, Bhawanipur, Corporate Div I, II and III, Cossipore, Durgapur, Esplanade, Lalbazar, Park Street, Salt Lake and Siliguri.

It was noticed that in nine<sup>8</sup> circles, no records were maintained to indicate whether any post-assessment scrutiny was conducted. Absence of post assessment scrutiny resulted in non-detection of mistakes and defects in assessments which is evident from a few instances cited below detected by audit.

| (Rupees in crore)   |              |  |   |  |
|---|--------------|--|---|--|
| Name of charges   | No. of cases | Period/ Date of assessment   | Nature of observation   | Non/short levy of tax/penalty/interest |
| Alipur  | 1            | March 1998<br>June 2000  | Gross Turnover was Rs 1.94 crore as per returns but it was incorrectly shown as nil in the assessment order.  | 0.15                                   |
| <b>Remarks:-</b> The department accepted the audit observation in March 2004. However, action taken to recover the amount has not been intimated (December 2004).   |              |  |   |  |
| Ballygunj   | 2            | March 2000 and March 2001<br>June 2002 and June 2003                       | Ordinary denatured spirit of Rs 5.29 crore though taxable was exempted from levy of tax.  | 0.61                                   |
| <b>Remarks:-</b> The department accepted the audit observation in March 2004. However, action taken to recover the amount has not been intimated (December 2004).   |              |  |   |  |
| Siliguri and Salt Lake  | 2            | March 1996 and March 2000<br>June 1998 and April 2003                      | The dealers had not collected and paid any tax. However, they were allowed deduction of Rs.1.13 crore on this account   | 0.11                                   |
| <b>Remarks:-</b> The department accepted the audit observation in one case in January 2004. However, action taken to recover the amount has not been intimated (December 2004). No specific reply was furnished in another case.  |              |  |   |  |
| Esplanade   | 1            | March 1999<br>June 2001  | The dealer had not submitted any return. However, no interest was levied on tax payable of Rs.0.51 crore.   | 0.26                                   |
| <b>Remarks:-</b> The department accepted the audit observation in February 2004. However, action taken to recover the amount has not been intimated (December 2004).  |              |  |   |  |
| Esplanade   | 1            | March 1997<br>June 1999  | Export sale was allowed without supporting declaration of Rs 7.88 crore.  | 1.09                                   |
| <b>Remark: -</b> The department stated in March 2004 that exports were exempted on the basis of last assessment records and nature of business. The reply was not tenable as the sales were not supported by the prescribed declarations as such exemption should have not been allowed.  |              |  |   |  |
| Corp. Div.,<br>Esplanade,<br>Park Street,<br>Barrackpore<br>Behala and<br>Salt Lake   | 12           | between<br>March 1997 and March 2001<br>between<br>June 1999 and June 2003 | Minimum penalty was not imposed on suppressed sales and purchases having a tax effect of Rs 2.01 crore though suppression was confirmed in the assessment orders. | 3.02                                   |
| <b>Remark: -</b> It was stated in four cases between November 2003 and March 2004 that imposition of penalty was discretionary. The reply was not tenable as no reason for non-imposition of penalty was recorded in the assessment order despite specific instructions of the CCT. No specific reply was furnished in eight cases. |              |  |   |  |
| <b>Total:</b>   | <b>19</b>    |  |   | <b>5.24</b>                            |

### 2.2.12 Demand of Tax: Extension of undue financial benefit to the dealer

Under WBST Act and the rules made thereunder, the Assessing officer on completion of an assessment, issues a demand notice in prescribed form requiring the dealer to pay assessed dues within the time specified in the said notice. If a dealer fails to make payment within the specified time he is liable for payment of interest. As per

<sup>8</sup> Asansol, Behala, Chowringhee, Corporate Division, Durgapur, Kolkata (South), Kolkata (North), 24 Parganas and Siliguri.

Act, the time for payment should be fixed at a date not earlier than 30 days from the date of service of demand notice. The Act, however, is silent about maximum time-limit to be prescribed in the demand notice by which payment should be made.

In 261 cases of 12<sup>9</sup> charge offices assessed between April 1998 and March 2003, the assessing authorities issued demand notices in which time allowed for payment ranged between 76 days and 726 days. In the absence of any provision for fixing maximum time-limit which can be allowed by an assessing authority in a demand notice for payment of tax there was a blockage of revenue of Rs.61.18 crore and also loss of interest of Rs.2.28 crore calculated after allowing 45 days for payment..

After this was pointed out, the Department accepted audit observations in 47 cases. No specific reply was furnished in two cases while in the remaining cases the Department stated that demand notices were issued as per Statute.

### **2.2.13 Way Side checking: short levy of penalty**

Under the WBST Act, no person, casual trader or dealer shall transport any consignment of goods through West Bengal violating the prescribed conditions. Range Offices, check posts/barriers are set up to check valid documents of such consignments. In case of contravention, the consignment of the transporter may be seized and a penalty at the rate not exceeding 30 per cent (where rate of tax is upto 10 per cent) or 50 per cent (where rate of tax exceeds 10 per cent) may be imposed. The Act, however, is silent about the minimum per cent of penalty leviable in such cases.

Consignments of 205 transporters carrying hide and skin valued at Rs.19.75 crore were seized with fake documents in Dhuburdih check post, Asansol, between July 2001 and November 2001. However, the Assessing Authority levied penalty at a flat rate of Rs. 15,000 in each case irrespective of the value of the goods seized. A few instances are given below:

---

<sup>9</sup> Alipur, Asansol, Ballygunj, Barrackpore, Behala, Bhawanipur, Cossipore, Durgapur, Jorabagan, Park Street, Salt Lake and Taltala.

(Rupees in lakh)

| Sl. No. | Seizer date | Value of goods seized | Amount of penalty levied |
|---------|-------------|-----------------------|--------------------------|
| 1.      | 25.07.01    | 4.08                  | 0.15                     |
| 2.      | 22.07.01.   | 6.67                  | 0.15                     |
| 3.      | 01.08.01    | 9.96                  | 0.15                     |
| 4.      | 09.08.01    | 11.73                 | 0.15                     |
| 5.      | 14.09.01    | 13.74                 | 0.15                     |
| 6.      | 27.08.01    | 15.80                 | 0.15                     |
| 7.      | 15.08.01    | 17.06                 | 0.15                     |
| 8       | 25.09.01    | 24.11                 | 0.15                     |

It would be seen from the above that there is a need for fixing the norms for levy of minimum amount of penalty so that discretion is exercised properly.

#### **2.2.14 Evasion of Sales Tax on the goods transported through West Bengal for other states**

Under the WBST Act, when a goods vehicle, transporting any goods, enters into West Bengal and is bound for any place outside the state, the transporter shall make a declaration that goods shall not be sold in the state. If the transporter fails to report with documents at his declared exit check post, it shall be presumed that the goods have been sold in West Bengal and he shall be taxed accordingly. However, there is no provision in the Act for taking security from such transporters at the time of entry of goods into West Bengal.

Scrutiny of records of three check posts<sup>10</sup> under the DCCTs, disclosed that in 81,129 cases transporters did not report at the exit check post as per transit declaration (TD) between 1998-99 and 2002-03. The authorities could, however, detect only 2,587 such defaulting transporters and the remaining 78,542 cases could not be detected by the authorities as the information regarding the whereabouts of those transporters was not available with the check posts. Consequently, no tax could be levied as detailed below:

| Name of the Range/ Check post | No. of TDs issued | No. of exit cases noted by the deptt | Total unmatched cases | Cases detected by the department | Cases remaining undetected |
|-------------------------------|-------------------|--------------------------------------|-----------------------|----------------------------------|----------------------------|
| Siliguri                      | 34,607            | 81                                   | 34,526                | 49                               | 34,477                     |
| Dhuburdi                      | 84,650            | 38,121                               | 46,529                | 2,464                            | 44,065                     |
| Kharagpur                     | 74                | Nil                                  | 74                    | 74                               | Nil                        |
| <b>Total:</b>                 | <b>1,19,331</b>   | <b>38,202</b>                        | <b>81,129</b>         | <b>2,587</b>                     | <b>78,542</b>              |

<sup>10</sup> Asansol Circle, Kharagpur Range and Siliguri Range.

***Audit Report (Revenue Receipts) for the year ended 31 March 2004***

As per transit records available in three check posts, in 209 cases out of 283 involving tax of Rs.2.44 crore checked by audit, the check post authorities issued notices to the defaulting transporters to appear before them on different dates between January 2002 and April 2003. However, no defaulting transporter appeared before such authorities even after a lapse of nine to 32 months from the date of entry of the vehicles in West Bengal. Tax of Rs.2.44 crore was recoverable from those transporters, of these 93 transporters were reported as 'non-traceable' by the postal authorities. Recovery proceedings had not been initiated against the defaulting dealers till March 2004 as detailed below:

| <i>(Rupees in crore)</i>         |              |  |                        |                |                                       |
|----------------------------------|--------------|--|------------------------|----------------|---------------------------------------|
| Name of the Range/<br>Check post | No. of cases | Date of entry into West Bengal between | Value of the commodity | Evasion of tax | Lapse of period between<br>(in month) |
| Siliguri                         | 25           | April 2001 and March 2003              | 0.64                   | 0.11           | 9 to 32                               |
| Dhuburdih                        | 184          | July 2001 and December 2002            | 21.41                  | 1.47           | 14 to 31                              |
| Kharagpur                        | 74           | January 1999 and August 1999           | 8.08                   | 0.86           | 53 to 62                              |
| <b>Total:</b>                    | <b>283</b>   |  | <b>30.13</b>           | <b>2.44</b>    |                                       |

Non existence of provisions of security from transporters, non initiation of recovery proceedings to realise the dues and absence of proper reconciliation between entry and exit check posts to ascertain and pursue the defaulting transporters for payment of tax led to non-realisation of revenue. These clearly indicate the non existence of internal control mechanism with respect to goods transported through West Bengal on the strength of TD.

**2.2.15 Non levy of interest in certificate cases**

Under the WBST Act, where any amount of tax, penalty or interest in respect of any period is due and recoverable from a dealer through certificate proceedings, the concerned officer has to determine up to date interest and incorporate the same in the certificate demand.

Scrutiny of records in 10<sup>11</sup> charge offices revealed that the assessing officers in 25 cases sent certificate demands to the TRO/CO between January 1999 and December 2003 without determining and incorporating up to date interest of Rs.9.43 crore.

<sup>11</sup> Ballygunj, Behala, Corporate Div I, II and III, Esplanade, Park street, Salt Lake, Siliguri and Taltala.

After this was pointed out in audit, the Department accepted audit observation involving Rs.8 88 crore in 12 cases. No specific reply was furnished in two cases and in 11 cases no reply had been received (December 2004).

#### **2.2.16 Collection of Revenue**

Collection of sales tax is made by pre-assessment tax deposited by the dealers in advance as per returns submitted by them, and balance tax, if any, after assessment and/or following an appellate order. The amount of tax due is to be deposited into Government Treasury/Reserve Bank of India by challan within the specified date. In case of default in payment of assessed dues, the Assessing Officer is required to send a requisition to CO for realisation of the dues under the provisions of the PDR Act. The District Collector/Sub-Divisional Officer acts as CO in respect of areas under his jurisdiction. The State Government has set up a separate certificate organisation attached to the Commercial Tax Directorate to deal with the certificate cases of Kolkata and 24 Parganas where the CTO functions as TRO for initiation of such recovery proceedings. The Act, however, does not prescribe any time-limit for initiation of such recovery proceedings.

#### **Non-realisation of dues due to non-initiation of recovery proceedings**

Scrutiny of records relating to assessments, disposed of appeal cases and cancellation of registration in charge offices revealed that no recovery proceedings were initiated by the assessing authorities as provided in the Act to realise the dues in 2,293 cases even after a lapse of six to 69 months from the due date for payment resulting in non-realisation of dues of Rs.1,025.06 crore as detailed below:

**Audit Report (Revenue Receipts) for the year ended 31 March 2004**

| <b>(Rupees in crore)</b>              |                                 |   |  |                            |  |
|---------------------------------------|---------------------------------|---|--|----------------------------|--|
| <b>No. of charges<br/>No of cases</b> | <b>Period of asstt.</b>         | <b>Months of delay<br/>(as of March<br/>2004) between</b> | <b>Nature of observation</b>   | <b>Amount<br/>involved</b> | <b>Date of assessment/<br/>confirmation/ cancellation</b>  |
| <u>18</u> <sup>12</sup><br>2110       | June 1985<br>and<br>March 2002  | 6 to 69   | Failure to initiate follow up action for recovery of assessed dues.              | 831.89                     | Cases were assessed between April 1998 and June 2003.  |
| <u>15</u> <sup>13</sup><br>58         | March 1996<br>and<br>March 2002 | 9 to 69   | Dues remained unrealised in successive ex parte assessments for two to six years | 150.94                     | Assessed between June 1998 and May 2003 ex parte due to non-appearance of the dealers and non-production of books of accounts. |
| <u>7</u> <sup>14</sup><br>38          | March 1988<br>and<br>March 2000 | 6 to 37   | Failure to recover arrears following appellate order.                            | 31.90                      | These appeal cases were confirmed between November 2000 and September 2003.  |
| <u>10</u> <sup>15</sup><br>87         | March 1990<br>and<br>March 2001 | 10 to 66  | Cancellation of registration without realising dues.                             | 10.33                      | Registrations were cancelled between September. 1998 and May 2003.   |
| <b>2,293</b>                          | <b>Total:</b>                   |   |  | <b>1,025.06</b>            |  |

This clearly indicates lacunae in the Act in not prescribing the time limit by which certificate proceedings should be initiated against any defaulting dealer.

After this was pointed out, the Department accepted audit observations in 745 cases, while in 1,548 cases no reply had been received (December 2004).

### **2.2.17 Inadequate pursuance of Certificate Demands**

On initiation of a certificate proceeding, an Assessing Officer sends a requisition to the CO/TRO and enters the details in Register IX. CO/TRO is also required to enter these cases in Register X. Reconciliation of the entries in Register IX with those of Register X is required to be done as per Departmental Circular issued in May 1944 in order to ensure that proper action was taken in respect of each demand. The CCT in another Circular issued in July 1968 had instructed all the CTOs to render all cooperation and liaison to the COs by supplying information promptly for smooth and efficient working in the certificate offices.

Scrutiny of records relating to certificate cases for the period between 1998-99 and 2002-03 in charge offices and COs Siliguri and Durgapur and TRO Salt Lake revealed the following position:

<sup>12</sup> Alipur, Asansol, Ballygunj, Barrackpore, Bhawanipur, Behala, Corporate Div. I, II and III, Cossipore, Durgapur, Esplanade, Jorabagan, Lalbazar, Park Street, Salt Lake, Siliguri and Taltala.

<sup>13</sup> Ballygunj, Barrackpore, Bhawanipur, Behala, Corporate Div. I, II and III, Cossipore, Durgapur, Esplanade, Jorabagan, Lalbazar, Park Street, Siliguri and Taltala.

<sup>14</sup> Corporate Div. I, II and III, Durgapur, Jorabagan, Lalbazar and Salt Lake.

<sup>15</sup> Alipur, Ballygunj, Barrackpore, Bhawanipur, Behala, Durgapur, Esplanade, Lalbazar, Salt Lake and Taltala.

Scrutiny of records relating to certificate cases for the period between 1998-99 and 2002-03 in charge offices and COs Siliguri and Durgapur and TRO Salt Lake revealed the following position:

| No. of charges   | Nature of observation  | No of cases | Remarks  |
|------------------|--|-------------|--|
| 14 <sup>16</sup> | Certificate cases remained out of account                                | 895         | These cases were sent by the charge offices between 1998-99 and 2002-03 but were not received by the COs / TRO thus escaped realisation.   |
| 8 <sup>17</sup>  | Non realisation due to inadequate information of the certificate debtors | 167         | The charge offices failed to furnish sufficient information about the dealers to CO/ TRO even after a lapse of period between five and 37 months and as a result certificate demand could not be realised. |
| 15 <sup>18</sup> | Non realisation of certificate demand due to inadequate pursuance        | 182         | Certificate debtors did not respond to first demand notices But no further action such as attachment of property, arrest, etc was taken by COs/ TRO even after a lapse of period between 12 and 69 months. |
| 10 <sup>19</sup> | Loss of revenue due to failure in tracing out certificate debtors.       | 40          | Certificate debtors could not be traced out by either postal authorities or departmental office No further action was taken for realisation even after a lapse of period between six and 51 months         |
| 47               | Total:   | 1,284       |  |

Hence, certificate demand in these 1,284 cases remained unrealised as of March 2004.

After these were pointed out, the Department accepted audit observations in 613 cases while in 671 cases no specific reply was furnished.

### 2.2.18 Undue financial benefit to the certificate debtors due to fixation of unrealistic instalments of payment

Under the provisions of the PDR Act and the rules made thereunder, instalment payment can be allowed to a certificate debtor to clear the dues. However, the Act is silent about the minimum as well as maximum number of instalments which can be fixed.

Review of records of TRO Kolkata and 24 Parganas revealed that notices of certificate demand were issued against two private limited companies for Rs.5.98 crore and Rs.3.55 crore between June 1999 and March 2001. Orders for payment of dues in instalments were passed between September 2000 and June 2001 directing the debtor to pay Rs.30,000 and Rs.5,000 per month

<sup>16</sup> Alipur, Ballygunj, Bhawanipur, Behala, Corporate Div. I, II and III, Cossipore, Durgapur, Jorabagan, Lalbazar, Salt Lake, Siliguri and Taltala

<sup>17</sup> Alipur, Ballygunj, Bhawanipur, Behala, Jorabagan, Park Street, Salt Lake and Siliguri

<sup>18</sup> Ballygunj, Bhawanipur, Behala, Corporate Div. I, II and III, Cossipore, Durgapur, Esplanade, Jorabagan, Lalbazar, Park Street, Salt Lake, Siliguri and Taltala. <sup>19</sup> Ballygunj, Bhawanipur, Behala, Corporate Div. I, II and III, Esplanade, Jorabagan, Park Street and Taltala.

<sup>19</sup> Ballygunj, Bhawanipur, Behala, Corporate Div. I, II and III, Esplanade, Jorabagan, Park Street and Taltala.

respectively which would take more than 166 and 590 years respectively. Besides, interest at the rate of 6.25 per cent per annum would also accrue on the outstanding balance of above dues of Rs.9.53 crore covering periods varying between 166 and 590 years.

After this was pointed out in audit, the local office furnished no specific reply.

### **2.2.19 Poor performance of Internal Audit**

Internal Audit Wing of the Directorate of Commercial Taxes started functioning from May 1991 as a permanent in-house mechanism for scrutinising and detecting irregularities in the assessments of sales tax cases as well as checking of different records/ registers to ascertain whether internal control system as envisaged in the Act and Rules made there under are observed properly. The wing is also required to examine the lacunae of the Act and Rules and recommend necessary revision/amendments of the same wherever necessary. A synopsis of the findings is to be submitted to the CCT with copies to other administrative heads for necessary action. It is also responsible for taking follow-up action on audit observations of the inspection reports made by the office of the Accountant General, West Bengal.

The wing is headed by the CCT, who is assisted by one Addl. Commissioner, four DCCTs and four ACCTs.

The wing does not have its manual for conducting audit. As reported, the wing usually conducts audit around one third of the total charges annually and checks about ten percent of assessment cases in each office. Actual performance of the wing during the last five years is shown below:

| Year      | Total No. of charges under the Directorate | No. of charges inspected | Opening balance of internal audit paras | Addition during the year | Disposal during the year | Closing balance of paras |
|-----------|--|--------------------------|---|--------------------------|--------------------------|--------------------------|
| 1998-99   | 70   | 21                       | Not available                           | Not available            | Not available            | 1,692                    |
| 1999-2000 |  | 18                       | 1692                                    | 446                      | 72                       | 2,066                    |
| 2000-01   |  | 10                       | 2066                                    | 396                      | 17                       | 2,445                    |
| 2001-02   |  | 4                        | 2445                                    | 183                      | 29                       | 2,599                    |
| 2002-03   |  | 7                        | 2559                                    | 148                      | 16                       | 2,731                    |

The wing, however, could not furnish the number of assessment cases checked (charge wise), money value of objection raised and number of paras issued during the said period. Further, Corporate Division, which is a major source of sales tax revenue, had never been audited on the plea that the said Division was being audited by statutory audit continuously. This argument is not tenable since more than 50 per cent of total revenue collected by the Directorate is contributed by the said Division. It is evident from the above

table that performance in terms of coverage, periodicity and no. of objections raised was very meagre. Further, the wing did not furnish any inspection report to audit though called for. As such it could not be ascertained in audit whether:

- Internal Audit had pointed out any irregularity in the maintenance of records/registers and periodical review of the same by the higher authority
- it had detected any case of failure of Internal Control Mechanism in following Acts and Rules and Departmental Circulars
- any suggestion had been given by it for revision/amendment of the Acts and Rules etc., and its acceptance by the department

Thus, Internal Audit System prevailing in the department was not quite effective in providing reasonable assurance to the department for prompt, effective and efficient service for adequate safeguards against evasion of tax.

In reply Additional Commissioner, Internal Audit stated that the manual was under preparation but did not furnish any reply to other points raised in audit.

#### **2.2.20 Conclusion and recommendations**

The department failed to provide proper control mechanism to provide adequate safeguards against evasion of taxes. Despite specific provision in the Acts and Rules and several departmental circulars issued from time to time the authority could not implement the same in many cases resulting in failure of the system in regard to prompt assessment and collection of revenue. No step was also taken to make required amendments in the Act and Rules to enable the department to become more effective and to make the exchequer healthy.

The State Government may consider taking the following steps for improving internal control mechanism in sales tax department for proper and effective assessment and collection of sales tax:

- proper maintenance of control register, demand register and monitoring thereof through periodical review for control over the process of assessment and collection of sales tax;
- departmental instructions should be strictly followed in regard to verification of returns and conducting post assessment scrutiny;
- norms need be fixed for monthly disposal of assessment cases;
- necessary amendments need be considered in the Act/Rules to fix time-limit for initiation of recovery proceedings; and

- certificate cases need be monitored and reconciled by the charge offices and COs/TRO.

All the points mentioned in the foregoing paragraphs were reported to Government in May 2004; their reply has not been received (December 2004).

### **2.3 Incorrect determination of Gross Turnover**

Under the WBST Act and the Rules made thereunder, a dealer is liable to pay tax at the prescribed rate on the amount of turnover after allowing the permissible deductions.

Scrutiny of records of 19<sup>20</sup> charge offices in six<sup>21</sup> districts revealed that gross turnover of 55 dealers in 60 cases was incorrectly determined at Rs.3,699.71 crore instead of Rs.3,763.91 crore at the time of assessments made between April 1998 and March 2003 for different assessment periods ending between March 1993 and March 2001 due to non-inclusion of sale value, incorrect deduction of the amount of unbilled challan, excess allowance of consignment sale, sale of inadmissible stock transfer etc. in the gross turnover. This resulted in short determination of gross turnover of Rs.64.20 crore with consequent short levy of tax including surcharge and additional surcharge of Rs.4.98 crore.

After this was pointed out, 15 charge offices accepted the audit observation in 38 cases involving Rs.1.48 crore. Of these, 17 cases were being proposed for revision/suo motu revision and in one case out of Rs.0.52 lakh, Rs.0.30 lakh was realised. Final reply in the remaining 22 cases has not been received (December 2004).

The cases were reported to Government between June 2000 and February 2004, followed by reminders issued upto July 2004, their reply has not been received (December 2004).

### **2.4 Underassessment of tax due to incorrect deduction**

#### **2.4.1 Under the State Act**

Under the WBST Act and rules made thereunder, in determining the taxable turnover of a dealer, a deduction on account of tax collected by him is allowable from the aggregate of sales turnover in accordance with the

---

<sup>20</sup> Amratola, Asansol, Burdwan, Burtola, Colootola, Corporate Division-I, II & III, Durgapur, Lyons Range, Medinipur, New Market, Park Street, Postabazar, Radhabazar, Salt Lake, Shibpur, Siliguri and Taltola.

<sup>21</sup> Burdwan, Darjeeling, Howrah, Kolkata, North 24 Parganas and Paschim Medinipur.

prescribed formula. The CCT, West Bengal, reiterating the provisions in a circular of December 1998, instructed all the Assessing Officers to restrict the deduction to the amount of the sales tax collected by the dealer and included in their turnover.

Scrutiny of records of 22<sup>22</sup> charge offices in nine<sup>23</sup> districts revealed that in 44 cases of 38 dealers assessed between May 1998 and June 2002 for different assessment years ending between March 1996 and March 2000, the Assessing Officers allowed deduction of Rs.14.34 crore against their actual collection of tax of Rs.7.80 crore. The excess allowance of deduction of Rs.6.54 crore resulted in short levy of tax of Rs.77.36 lakh including surcharge and additional surcharge.

After this was pointed out, the department accepted between March 2002 and November 2003 audit observations in 26 cases, of which in seven cases fresh demand notice was being/has been served. In nine cases, the department did not furnish specific reply. In the remaining nine cases, it was stated that deduction was allowed as gross turnover was inclusive of all taxes. The reply is not tenable as no tax was collected in four cases and in five cases deduction allowed was more than the tax collected, by the assessing authority which was in contravention of the departmental circular of December 1998.

All the cases were reported to Government between January 2001 and September 2003, followed by reminders issued upto July 2004; their reply has not been received (December 2004)

#### **2.4.2 Under Central Sales Tax Act**

Under the CST Act, in determining the taxable turnover of a dealer, a deduction on account of tax collected by him is allowed from the aggregate of sale prices in accordance with the prescribed formula provided that the tax collected has not otherwise been deducted. However, the deduction is restricted to the amount of tax collected and included in the gross turnover of the dealer.

---

<sup>22</sup> Asansol, Bally, Bankura, Barrackpore, Beadon Street, Behala, Belgachia, Beliaghata, Budge Budge, Burtola, College Street, Durgapur, N.D.Sarani, N..S.Road, Postabazar, Purulia, Rajakatra, Salkia, Salt Lake, Serampore, Siliguri and Strand Road.

<sup>23</sup> Bankura, Burdwan, Darjeeling, Hooghly, Howrah, Kolkata, North 24 Parganas, Purulia and South 24 Parganas.

Scrutiny of records of five<sup>24</sup> charge offices in Kolkata revealed that while assessing between June 1999 and June 2003 eight dealers for different assessment years ending between March 1995 and March 2001, the Assessing authorities allowed deduction of Rs.9.22 crore against actual collection of tax of Rs.7.17 crore. The excess allowance of deduction of Rs.2.06 crore resulted in short levy of tax of Rs.15.08 lakh.

After this was pointed out, the department admitted between February 2001 and December 2003 audit observations in six cases, of which in four cases proposal for revision/*suo motu* revision was being sent to concerned authority. In the remaining two cases, the department did not furnish specific replies.

The cases were reported to Government between March 2001 and February 2004 followed by reminders issued upto July 2004, their reply has not been received (December 2004).

## **2.5 Incorrect allowance of exemption from gross turnover**

### **2.5.1 Exemption on account of stock transfer**

Under the CST Act and the Rules made thereunder, a dealer claiming exemption from his turnover on account of transfer of goods outside the State otherwise than by way of sale, is liable to furnish declaration in Form 'F' duly filled in and signed by the Principal Officer or his agent of the other place of business as a proof of transfer along with evidence of despatch. Otherwise, such transfer of goods is liable to be taxed at the normal rate.

Scrutiny of records in three<sup>25</sup> charge offices in Kolkata revealed that in assessing 18 dealers between June 2000 and January 2003 for assessment years ending between March 1998 and March 2001, the Assessing authorities allowed dealers' claim of stock transfer of goods to their branches outside the State for Rs.495.23 crore on the basis of declarations in Form 'F'. However, declarations allowed for Rs.5.01 crore were not admissible as the transactions were either found to have been made to non-existent dealers or were not covered by the period of assessment or were not supported by 'F' form or other documentary evidences. Incorrect allowance of exemption of such stock

---

<sup>24</sup> Belgachia, College Street, Corporate Division I and II, Jorabagan.

<sup>25</sup> Corporate Division I, Park Street and Strand Road

transfer resulted in underassessment of tax of Rs.22.73 lakh including surcharge and additional surcharge.

After this was pointed out, the department admitted between January and August 2003 audit observations in 13 cases involving Rs.12.64 lakh, of which, 10 cases had been/were being proposed for revision by the concerned authorities. In three cases the department did not furnish specific reply, while in the remaining two cases, the department stated that there was no reason to suggest that the dealers were fake. The reply is not tenable as both the dealers had claimed exemption on account of stock transfer to a dealer in Delhi who was declared fake by the Sales Tax Authority of Delhi as per the Assessment Order of the dealer.

All the cases were reported to Government between April 2002 and October 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

### **2.5.2 Incorrect exemption in course of export**

Under the CST Act, sales of goods made in the course of export out of India are exempt from tax if such sales are supported by proper evidence of export. Sales not supported by necessary evidences are to be taxed at the normal rate.

Scrutiny of records in five<sup>26</sup> charge offices in Kolkata revealed that in assessing six dealers for different assessment years ending between March 1997 and March 2001, the assessing authorities allowed exemption on account of export sales for Rs.63.13 crore instead of Rs.60.88 crore. This resulted in excess allowance of export sales of Rs.2.25 crore as these transactions were either not supported by evidence or were not covered by the period of assessment or due to mistake in calculations. This resulted in short levy of tax of Rs.17.01 lakh.

After this was pointed out, the Department admitted between September 2000 and December 2003 audit observations in five cases involving Rs.15.96 lakh, of which, in three cases proposals for revision were being/had been sent to

---

<sup>26</sup> Bhowanipore, Corporate Division-I & III, Esplanade and Naren Dutta Sarani.

higher authority. No specific reply was received in the remaining case (December 2004).

The cases were reported to Government between November 2000 and December 2003, followed by reminders issued upto July 2004; their reply has not been received (December 2004).

## **2.6 Non/short levy of Purchase Tax**

Under the WBST Act, a dealer is liable to pay purchase tax at the rate specified from time to time on all purchases of goods from unregistered dealers, intended for direct use in manufacture of goods for sale in West Bengal. Further, purchase tax is also payable by a manufacture dealer if such manufactured goods are transferred by him to any place outside the State or disposed of otherwise than by way of sale within the State.

Scrutiny of records of 20<sup>27</sup> charge offices in eight<sup>28</sup> districts revealed that in assessing between April 1998 and June 2002, the Assessing authorities incorrectly allowed purchases worth Rs.31.25 crore from purchase tax in 32 cases for the years ending between March 1996 and March 2000. Out of these, in 25 cases unregistered purchase of Rs.25.47 crore was allowed as registered though it was not supported by relevant documentary evidence. Four cases of purchase of Rs.5.20 crore from registered dealers against declaration form were also allowed although the goods were disposed of otherwise than by way of sale in the State. In the remaining three cases, purchases of Rs.58.33 lakh from persons other than registered one were taxed at lower rate instead of higher rate applicable to goods concerned. This resulted in non/short levy of purchase tax of Rs.1.16 crore.

After this was pointed out, the department admitted between January 2000 and January 2004 audit observations in 24 cases valued at Rs.1.05 crore of which in 11 cases proposal sent for revision to concerned authorities and issued demand notice in two cases. In the remaining cases the department did not

---

<sup>27</sup> Alipore, Armenian Street, Asansol, Barasat, Beadon Street, Bhowanipore, Burtola, Budge Budge, Colootola, Corporate Division-I, Cossipore, Jalpaiguri, Jorasanko, Lalbazar, Medinipur, N.D. Sarani, Princep Street, Purulia, Siliguri and Strand Road.

<sup>28</sup> Burdwan, Darjeeling, Jalpaiguri, Kolkata, North 24 Parganas Paschim Medinipur, Purulia and South 24 Parganas.

furnish any specific reply. Further report on final action taken to revise the assessment has not been received (December 2004).

The matter was reported to Government between April 2000 and December 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

## **2.7 Incorrect determination of Contractual Transfer Price**

Under the WBST Act, any transfer of property in goods for valuable consideration involved in the execution of works contract shall be deemed to be a sale of these goods by the person making such transfer attracting levy of tax at four per cent on such Contractual Transfer Price (CTP). In addition, where goods are purchased against declaration form or procured from the contractee otherwise than by way of purchase for direct use in execution of a works contract, tax is leviable at 12 per cent on CTP of electrical goods and at eight per cent in case of other goods. In case, a dealer enters into contract with another contractor dealer for execution of a part or full contract, the payment made to the contractor dealer is exempted from levy of tax, if the sub-contractor furnishes a proof of payment of tax.

Scrutiny of records of four<sup>29</sup> charge offices in four<sup>30</sup> districts revealed that in assessing between May 1999 and April 2003, six dealers in six cases for different assessment years ending between March 1997 and March 2000, the assessing authorities determined CTP at Rs.14.04 crore instead of Rs.20.01 crore due to non-inclusion of sale value of items, loading/transporting charges and sub-contractor's payment in absence of proof of payment, to the extent of Rs.5.97 crore. This resulted in short determination of CTP to that extent and short levy of tax of Rs.45.68 lakh.

After this was pointed out, the department admitted between July 2000 and September 2003 the audit observation in three cases involving Rs.3.45 lakh of which, in two cases proposal for *suo moto* revision had been sent to the higher authority. In one case the department stated that as per law sub-contractor's CTP was deductible from the CTP of the works contractor. The reply is not

---

<sup>29</sup> Alipore, Barrackpore, Durgapur and Suri.

<sup>30</sup> Birbhum, Burdwan, North 24 Parganas and South 24 Parganas.

tenable as sub-contractor had not produced any proof of payment of tax. As such the deduction allowed was incorrect. In the remaining cases the department did not furnish specific reply (December 2004).

The cases were reported to Government between July 2000 and October 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

## **2.8 Mistake in computation of tax**

Under the WBST Act, tax, surcharge and additional surcharge are to be levied at the rate applicable from time to time along with interest and penalty, if any, on the goods/commodities sold.

Scrutiny of records of seven<sup>31</sup> charge offices in Kolkata revealed short levy of tax including surcharge, additional surcharge, interest and penalty of Rs.48.57 lakh due to mistake in computation in case of eight dealers for the assessment years 1995-96 to 1999-2000 assessed between June 1998 and June 2002.

After this was pointed out, the Department accepted between February and December 2003 audit observations in five cases involving Rs.34.85 lakh, of which, in four cases proposal for revision/necessary action was being/had been sent to higher/appellate authority and in one case certificate case had been initiated. In remaining cases, the department did not furnish specific reply (December 2004).

The cases were reported to Government between March 2001 and February 2004 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

## **2.9 Non/short raising of demand**

Under the provision of the WBST Act, the assessing authority shall serve a notice of demand in the prescribed form to the dealer after final assessment showing the amount of demand for tax, interest, penalty etc. and specifying the date of payment therein.

---

<sup>31</sup> Corporate Division-II, Bhowanipore, Park Street, Ultadanga, Bowbazar, Manicktala and Jorabagan.

Scrutiny of records of six<sup>32</sup> charge offices in Kolkata revealed that while assessing between September 1999 and May 2002 seven dealers for different assessment periods ending between March 1996 and March 2000, the assessing authorities assessed tax including interest and penalty at Rs.1.38 crore whereas demand notices were issued for Rs.1.10 crore. This resulted in non/short raising of demand of Rs.28.42 lakh.

After this was pointed out, the department admitted between March 2002 and November 2003 audit observations in four cases involving Rs.24.25 lakh and sent proposal for revision/realisation of the same to higher/appellate authority/certificate officer. In the remaining three cases, the Department did not furnish specific reply (December 2004).

The cases were reported to Government between March 2001 and February 2004, followed by reminders issued upto July 2004, their reply has not been received (December 2004).

## **2.10 Application of incorrect rate of tax**

Under the WBST Act, rate of tax depends on nature of sales and also on the nature of goods/commodities sold.

Scrutiny of records of 15<sup>33</sup> charge offices in four<sup>34</sup> districts revealed that in 21 cases of 20 dealers in respect of assessments made between June 1998 and March 2003 for different assessment periods ending between March 1996 and March 2002, there was short levy of tax amounting to Rs.40.26 lakh including surcharge and additional surcharge due to application of incorrect rate of tax. A few instances showing the application of incorrect rate of tax is given below:

---

<sup>32</sup> Corporate Division-I, II and III, Park Street, New Market and Jorabagan.

<sup>33</sup> Alipore, Barrackpore, Behala, Beliaghata, Bowbazar, Corporate Division I, II and III. Medinipur, Posta Bazar, Princep Street, Radhabazar, Strand Road, Taltala and Ultadanga

<sup>34</sup> Kolkata, North 24 Parganas, Paschim Medinipur and South 24 Parganas.

---

**Audit Report (Revenue Receipts) for the year ended 31 March 2004**

*(Rupees in lakh)*

| Name of the Charge   | Assessment year<br>Month of assessment | No. of dealers | Nature of sales                                   | Taxable turnover | Rate of tax    |             | Short levy |
|--|--|----------------|---|------------------|----------------|-------------|------------|
|  |  |                |   |                  | Applicable (%) | Applied (%) |            |
| Barrackpore  | <u>March 2001</u><br>August 2002       | 1              | Cement procured from contractee                   | 57.59            | 8              | 4           | 0.72       |
| Departmental reply: Suo motu review had been proposed.   |  |                |   |                  |                |             |            |
| Corporate Division-II  | <u>March 2000</u><br>June 2002         | 1              | Switch, circuit braker, meter, pump motors etc.   | 80.00            | 12             | 2           | 9.02       |
| Departmental reply: Proposal for consideration of audit objection had been sent to appellate authority.  |  |                |   |                  |                |             |            |
| Corporate Division-III   | Between March 1997 and March 1999      | 2              | Disallowance of Dealers claim Chocolates products | 17.26            | 15             | 4           | 2.01       |
|  | Between January 2001 and June 2001     |                |   | 21.12            | 15             | 12          | 0.65       |
| Departmental reply: Proposal for revision had been/was being sent to the concerned authority.  |  |                |   |                  |                |             |            |
| Medinipur  | Between March 2000 and March 2001      | 2              | Grocery items<br>Carpets                          | 28.88            | 7              | Nil         | 2.33       |
|  | Between October 2001 and April 2002    |                |   | 10.80            | 15             | 10          | 0.54       |
| Departmental reply: In one case the department issued demand notice while in another case did not furnish specific reply   |  |                |   |                  |                |             |            |
| Postabazar   | <u>March 1999</u><br>April 2002        | 1              | Steel   | 56.00            | 8              | 4           | 2.24       |
| Departmental reply: Proposal for consideration had been sent to the appellate authority.   |  |                |   |                  |                |             |            |
| Ultadanga  | <u>March 1999</u><br>April 2001        | 1              | Glazed tiles                                      | 18.55            | 15             | 12          | 0.57       |
| Departmental reply: The department intimated that in absence of specific entry in the schedule, rate of 12 percent on glazed tiles was charged. Reply is not tenable since glazed tiles are nothing but wall tiles attracting tax @15 per cent   |  |                |   |                  |                |             |            |
| Behala   | <u>March 1996</u><br>June 1998         | 1              | Transformer                                       | 13.20            | 20             | 12          | 1.04       |
| Departmental reply: Dealer's nature of business was inadvertently described as manufacturer of transformer and so tax at general rate was applied. Reply is not tenable as the sale of transformer, confirmed on verification of books of accounts, attracts levy of tax at 20 per cent. |  |                |   |                  |                |             |            |

The cases were reported to Government between February 2000 and February 2004 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

### **2.11 Incorrect allowance of concessional rate of tax**

Under the WBST Act and the rules made thereunder, a dealer is eligible for concessional rate of tax for sales of goods to registered reseller and manufacturing dealers if such sales are supported by prescribed declaration forms obtainable from the purchasing dealers. Further, intra-state as well as inter-state sales of goods to Government Departments are also exigible to tax at the concessional rate subject to production of prescribed certificate from the purchasing Government Department.

Scrutiny of records of 11<sup>35</sup> charge offices in Kolkata, Jalpaiguri and North 24 Parganas revealed that in assessing 16 dealers between May 1999 and June 2003, the Assessing authorities incorrectly levied tax at concessional rate instead of prescribed rate as the sales were either not supported by requisite declaration forms/statement/certificate or were made to non-government organization. Thus incorrect concessions allowed on Rs.8.52 crore resulted in short levy of tax of Rs.88.87 lakh as detailed below:

| Date of assessment              | No. of dealers | Nature of observation  | Excess allowance (Rs. in crore) | Tax effect (Rs. in lakh) |
|---------------------------------|----------------|--|---------------------------------|--------------------------|
| Between May 1999 and June 2002  | 3              | Sales valued at Rs.1.95 crore were allowed as sales to Government Department out of which Rs.41.61 lakh were sales to non-Government organisations                                   | 0.42                            | 2.52                     |
| Between June 1999 and June 2003 | 13             | Sales valued at Rs.153.11 crore were allowed as sales to registered dealers out of which an amount of Rs.8.10 crore was not supported by declaration forms/statements/ certificates. | 8.10                            | 86.35                    |
|                                 | 16             |  | 8.52                            | 88.87                    |

After this was pointed out, the Department accepted between May 2001 and January 2004 the audit observations in six cases involving Rs.76.33 lakh of which in one case demand was raised. Final reply in the remaining cases has not been received (December 2004).

All the cases were reported to Government between August 2001 and December 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

## 2.12 Non/short levy of penalty:

### 2.12.1 Penalty on retention of excess collected tax

Under the provision of the WBST Act, if a dealer fails to deposit the amount of tax collected in excess of the amount payable into Government account, within thirty days from the date of collection, the CCT shall impose penalty on the dealer by an amount which is not less than the amount of tax so collected but not exceeding double the amount of tax so collected by him.

Scrutiny of records of four<sup>36</sup> charge offices in Kolkata revealed that 16 dealers assessed between June 2000 and June 2002, collected from time to time tax of Rs.2.62 crore against tax payable of Rs.1.14 crore and resulting in excess collection of tax of Rs.1.48 crore. While assessing such dealers between June

<sup>35</sup> College Street, Corporate Division I & III, Esplanade, Fairlie Place, Jalpaiguri, Lalbazar, Lyons Range, Park Street, Salt Lake and Taltola.

<sup>36</sup> Corporate Division (I, II and III) and Park Street

2000 and June 2002, the Assessing authorities did not levy penalty though a minimum penalty of Rs.1.48 crore was leviable for retention of such excess collection of tax.

After this was pointed out in audit, the Department admitted between April 2002 and August 2003 audit observations in 13 cases involving Rs.1.15 crore of which in eight cases proposal for revision was sent to concerned authorities. No specific reply was received in two cases, while in one case the department stated that the excess tax collected could not be deposited due to absence of such provisions in CST Act. The reply is not tenable as the dealer was required to deposit the tax under WBST. Final action taken for realisation of Government dues has not been intimated (December 2004).

The cases were reported to Government between October 2002 and October 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

### **2.12.2 Penalty for concealment of sales/purchases**

Under the WBST Act, if a dealer has concealed any turnover or furnished incorrect particulars thereof with an intention to reduce the amount of tax payable by him, the CCT may impose by way of penalty a sum which shall not be less than one and a half times and not more than thrice the amount of tax that would have been avoided by him. According to the instructions (June 1991) of the CCT where the assessing officer did not initiate penal proceedings in a case, he should record the reasons for not doing so.

Scrutiny of records of 12<sup>37</sup> charge offices in five<sup>38</sup> districts revealed that in assessing between March 2000 and June 2002, 37 cases for the years ending between March 1994 and March 2000, the Assessing authorities observed that the dealers had concealed sales/purchases of Rs.25.82 crore. Though the Assessing authorities levied tax of Rs.2.24 crore they did not levy/short levied penalty of Rs.3.35 crore.

After this was pointed out, the Department accepted the audit observations in seven cases involving Rs.19.25 lakh. Of these in three cases demand of Rs.3.98 lakh was raised. However, in 18 cases department stated that the levy of penalty was discretionary and as such was not levied. The reply is not

---

<sup>37</sup> Amratola, Behala, Belgachia, Budge Budge, Corporate Division-I & II, Jorabagan, New Market, Salkia, Salt Lake, Serampore and Shyambazar.

<sup>38</sup> Hooghly, Howrah, Kolkata, North 24 Parganas and South 24 Parganas.

correct as the reasons for non-imposition of penalty were not mentioned at all in the assessment orders which was a clear violation of the 1991 instructions of the CCT. In the remaining cases the department did not furnish any specific reply (December 2004).

The cases were reported to Government between May 2002 and February 2004, followed by reminders issued upto July 2004; their reply has not been received (December 2004).

### **2.13 Non/short levy of interest**

Under the WBST Act, a dealer (i) who furnishes return in respect of any period by the prescribed date or thereafter but fails to make full payment of tax payable in respect of such period by such prescribed date or (ii) fails to furnish a return in respect of any period by the prescribed date or thereafter before assessment in respect of such period and on such assessment full amount of tax payable for such period is found not to have been paid by him by such prescribed date or (iii) fails to make payment of any tax demanded after assessment by the date specified in the demand notice, is liable to pay simple interest at the prescribed rate for each calendar month of default.

Scrutiny of records of 36<sup>39</sup> charge offices in 10<sup>40</sup> districts revealed that while assessing/initiating certificate proceedings between February 1998 and June 2003, 225 cases of 178 dealers for different assessment periods ending between March 1984 and March 2001, the assessing authorities did not levy/levied short interest of Rs.5.95 crore leviable for delay in payment/non-payment of assessed/advance tax of Rs.24.55 crore.

After this was pointed out, the Department admitted the audit observations in 172 cases. Of these, in 38 cases proposal for revision was sent to concerned authorities; in 86 cases demand notices were either issued/were being issued to the dealers/Certificate Officer for realisation. In 50 cases the department did

---

<sup>39</sup> Asansol, Bally, Ballygunge, Bankura, Barrackpore, Behala, Belgachia, Beliaghata, Berhampore, Bowbazar, Budge Budge, Burdwan, Chandney Chawk, China Bazar, College Street, Corporate Division-I, II & III, Drugapur, Fairlie Place, Howrah, Kadamtala, Lalbazar, N.D. Sarani, N.S. Raod, New Market, Park Street, Princep Street, Purulia, Radhabazar, Salkia, Salt Lake, Sealdah, Serampore, Siliguri and Strand Road.

<sup>40</sup> Bankura, Burdwan, Darjeeling, Hooghly, Howrah, Kolkata, Murshidabad, North 24 Parganas, Purulia and South 24 Parganas.

***Audit Report (Revenue Receipts) for the year ended 31 March 2004***

---

not furnish specific reply. In two cases it was stated that no interest was levied as no return was submitted. The reply is not tenable as in absence of return, interest is leviable on assessed tax under the provision of Sales Tax Laws. In the remaining case it was stated that the dealer was not liable to pay any interest on tax due as eligibility certificate for deferment was granted to the dealer. The reply is not tenable as Rs.4.27 crore was allowed as deferment out of assessed tax of Rs.7.64 crore. There was delay in payment of Rs.3.35 crore attracting levy of interest.

All the cases were reported to Government between August 2001 and September 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

## CHAPTER III LAND REVENUE

### 3.1 Results of audit

Test check of records of land revenue in District Land and Land Reforms (DL & LR) offices conducted in audit during the year 2003-04, revealed non/short realisation of revenue amounting to Rs.39.48 crore in 102 cases, which broadly fall under the following categories :

| <i>(Rupees in crore)</i> |  |              |              |
|--------------------------|--|--------------|--------------|
| Sl. No.                  | Categories   | No. of cases | Amount       |
| 1                        | Non-levy/non-realisation of damage fee due to unauthorised occupation of Government land | 13           | 5.37         |
| 2                        | Non-settlement of land   | 5            | 0.60         |
| 3                        | Non-levy and non-realisation of rent and salami  | 38           | 2.17         |
| 4                        | Loss of revenue due to non-leasing of sairati interest                                   | 11           | 0.20         |
| 5                        | Other cases  | 35           | 31.14        |
| <b>Total</b>             |  | <b>102</b>   | <b>39.48</b> |

During the course of the year 2003-04, the concerned Department accepted underassessments etc. of Rs.26.80 crore involved in 51 cases of which 33 cases involving Rs.25.78 crore had been pointed out in audit during the year 2003-04 and the rest in earlier years. An amount of Rs.41.48 lakh was realised at the instance of audit.

A few illustrative cases involving Rs.1.84 crore highlighting important observations are given in the following paragraphs:

### **3.2 Non-realisation of rent and salami**

Under the provisions of the West Bengal Land and Land Reforms (W B L & L R) Manual, 1991, if the Government land remained in possession of person/persons without any lease, such persons may be offered long term settlement on realisation of rent and salami. In case of refusal by the occupiers for regularization they are liable to be evicted.

Scrutiny of records of five<sup>1</sup> DL&LR offices revealed that nine individuals, one club and one social welfare organisation had been unauthorisedly occupying 37.046 acres of land involving market value of Rs.81.87 lakh for commercial and residential purposes. In seven cases, the district authorities initiated proposal for long term settlement between May 1998 and December 2002, which were not completed till September 2003. In other four cases the district authority did not initiate any action either to settle the land with the encroachers on long term lease or to evict them. Thus non-settlement of land resulted in non-realisation of revenue of Rs.47.43 lakh in the shape of rent and salami for different periods between 1998 and 2003.

After this was pointed out, the District authorities stated between December 2002 and September 2003 that the matter was being looked into. Further reply had not been received (December 2004).

The cases were reported to the Department and to Government between March 2003 and December 2003 followed by reminders issued up to July 2004; their reply had not been received (December 2004).

### **3.3 Loss of revenue due to non-execution of long term lease**

Under the provisions of the W B L & L R Manual, the process of settlement of long term lease is to be completed ordinarily within five months from the date of application. The annual rent is payable at the rate of four per cent of market value of the land and salami at the rate of 10 times the annual rent.

Scrutiny of records of four<sup>2</sup> DL&LR offices revealed that 18 individuals, one Limited Company, one autonomous body and one local body had applied for allotment of 8.29 acres of non-agricultural land valued at Rs.1.05 crore between 1998 and 2001 on long term lease basis as detailed below:

---

<sup>1</sup>nkura, Darjeeling, Murshidabad, Nadia and North 24 Parganas.  
<sup>2</sup>thum, Darjeeling, North 24 Parganas and South 24 Parganas

(Rupees in lakh)

| Sl. No. | Name of the prospective lessee                | Area involved (in acres) | Date of application<br>Period involved       | Reasons for non-settlement   | Non realisation of rent and salami |        |
|---------|---|--------------------------|--|--|------------------------------------|--------|
|         |   |                          |  |  | Rent                               | Salami |
| 1.      | 18 individuals                                | 2.31                     | Between 2000 and 2001<br>2000-01 to 2001-02  | The tenants applied for long term settlement of land but the same has not been settled by the DL & LR Office                 | 0.94                               | 6.49   |
| 2       | LGW Ltd.                                      | 1.28                     | February 2000<br>August 2000 to July 2002    | The DL & LR Office send the case to Commissioner in April 2002. Thereafter the case was pending at Commissioner office.      | 2.77                               | 13.83  |
| 3       | Kurseong Municipality                         | 0.70                     | June 1998<br>December 1998 to November 2003  | The Municipality agreed to pay rent and salami in January 2002. No proposal was sent   | 1.12                               | 2.25   |
| 4       | Sriniketan Santiniketan Development Authority | 4.00                     | August 2000<br>February 2001 to January 2003 | The proposal was sent to L & LR* Department by the DL & LRO on 12 March 2001. The case was pending at the L & LR Department. | 3.90                               | 19.51  |
|         |   | 8.29                     |  |  | 8.73                               | 42.08  |

## \* Land and Land Reforms Department

This resulted in loss of revenue of Rs8.73 lakh as annual rent for different periods between 1998-99 and 2002-03 and salami of Rs.42.08 lakh.

This was pointed out to the District authorities who stated between October 2002 and September 2003 that the matter would be looked into. Further reply had not been received (December 2004).

The cases were reported to Government between March 2003 and December 2003 followed by reminders issued up to July 2004; their reply had not been received (December 2004).

### 3.4 Non/short realisation of revenue due to irregular transfer of Government land

Under the provisions of the W B L & L R Manual, vested non-agricultural lands may be settled on long term lease basis for 30 years on realisation of annual rent to be fixed by the Collector at four per cent of the market value of land and salami, in lump, at 10 times the annual rent. There is, however, no provision in the Manual for giving advance possession of Government land without realising prescribed rent and salami in advance.

Scrutiny of records of two<sup>3</sup> DL & LR offices revealed that in three cases 8.78 acres of non-agricultural land valued at Rs.1.08 crore had been handed over to

<sup>3</sup> Darjeeling and South 24 Parganas

one autonomous body, one State Government Undertaking and one private organization on different dates between September 1999 and October 2002 as detailed below. It was observed that

- In one case, lease agreement was executed with the authority of a private Engineering College in April 2002 by DL & LRO. Against a sum of Rs.1.88 lakh payable by the lessee as advance for first year's rent, Rs.0.66 lakh were recovered. Besides salami amounting to Rs.18.76 lakh though realisable was not realised;
- In two cases though no lease agreement was executed, 3.7 acres of land was handed over between September 1999 and October 2002 to one autonomous body and one State Government undertaking without realisation of rent and salami of Rs.59.95 lakh. This resulted in non-realisation rent and salami amounting to Rs.79.93 lakh.

The DL & LROs stated between August 2002 and September 2003 that action would be taken to settle the cases. Further reply had not been received (December 2004).

The cases were reported to the Government between August 2003 and December 2003; followed by reminders issued up to July 2004; their reply has not been received (December 2004).

### **3.5 Non realisation of revenue due to non-settlement/non-realisation of lease rent**

Under the provisions of the W B L & L R Manual, all sairati interests like fisheries, khal etc. should be leased out on year to year basis, but not exceeding seven years. The Collector has to fix the economic lease rent and realise 25 per cent of the same at the time of settlement of sairati interests and the balance before the beginning of the year. Rents for the successive years are to be deposited by the lessee in full before the beginning of the respective year and a lease agreement is required to be executed beforehand.

Scrutiny of records of three<sup>4</sup> DL&LR offices revealed that in five cases involving 368.06 acres of water areas were not leased out during the period from 1998-99 to 2001-02. This resulted in loss of revenue of Rs.1.66 lakh.

---

<sup>4</sup> Nadia, North 24 Parganas and South 24 Parganas

Further, 68 cases involving 3,635.55 acres water areas were settled on lease basis for the years from 1998-99 to 2002-03 for which lease rent of Rs.4.49 lakh was recoverable. However, demand for realisation was not raised at all in 63 cases while in other five cases though it was raised no recovery was made. This resulted in non realisation of Rs.6.25 lakh.

This was pointed out to the District authorities who stated between October 2002 and September 2003 that action would be taken to realize the dues/settle the sairati interests.

The cases were reported to Government between March 2003 and November 2003 followed by reminders issued up to July 2004; their reply had not been received (December 2004).



## CHAPTER IV STATE EXCISE

### 4.1 Results of audit

Test check of records of state excise revenue conducted in audit during the year 2003-04 revealed non/short realisation of excise duty of Rs.53.28 crore in 69 cases, which broadly fall under the following categories:

| (Rupees in crore) |  |              |              |
|-------------------|--|--------------|--------------|
| Sl. No.           | Categories   | No. of cases | Amount       |
| 1                 | Non/short levy of excise duty on chargeable wastage of rectified spirit, non/short realisation of IMFL | 17           | 23.27        |
| 2                 | Non/short recovery of privilege fee/additional fee/licence fee/transport pass fee etc.                 | 10           | 26.84        |
| 3                 | Blockage/loss of revenue   | 12           | 2.31         |
| 4                 | Others   | 30           | 0.86         |
|                   | <b>Total</b>   | <b>69</b>    | <b>53.28</b> |

During the course of the year 2003-04, the concerned departments accepted underassessments etc. of Rs.37 lakh involved in 27 cases of which 20 cases involving Rs.23 lakh had been pointed out in audit during the year 2003-04 and the rest in earlier years. An amount of Rs.1.71 lakh was realised at the instance of audit.

A few illustrative cases involving Rs.8.32 crore highlighting important observations are given in the following paragraphs:

**4.2 Non-realisation of duty on short/non-receipt of rectified spirit/India made foreign liquor**

The Bengal Excise Act, 1909 and the rules made thereunder provide that in the case of import of rectified spirit liquor underbond<sup>1</sup> for potable purpose, a licensee is to execute a bond in the prescribed form which envisages that duty and fees at the prescribed rate are to be paid on the quantity of rectified spirit(RS) received short or non receipt with reference to the quantity despatched from the exporting end. There is, however, no provision to regulate the cases involving non/short import of rectified spirit/liquor with reference to the quantity permitted for import as well as release of the bond amount already furnished by the importer.

Scrutiny of records of the Superintendent of Excise, Hooghly and the Collector of Excise, Kolkata revealed that the Commissioner of Excise granted three import permits between October 2001 and March 2002 to one licensee of Hooghly to import eight lakh bulk litres (B.L.) of RS underbond from Uttar Pradesh for manufacture of foreign liquor against which 4.50 lakh B.L. only was received by the licensee. The balance quantity of RS of 3.50 lakh B.L. was not received. In another case, the Collector of Excise, Kolkata granted two import permits between August 2001 and March 2002 to two licensees of Kolkata for import of 3,431.25 London Proof Litre (LPL) and 3,543.75 LPL of whisky underbond from Karnataka and Uttar Pradesh respectively. The said consignments, did not, however, reach the bonded warehouses of the importers of West Bengal. As per terms and conditions of the bond

---

<sup>1</sup> Underbond is a term used in connection with import of excisable articles without prepayment of duty where the importer executes a bond in favour of the excise authority for payment of duty.

agreement, those importers were liable to pay Rs.8.13 crore as per table below:

*(Rupees in crore)*

| Name of the District Excise Authorities | No. of licensees involved | Import permit granting authority | Import permit No. and Date        | Quantity to be imported  | Actual import  | Non/Short import | Duty and Fee realisable at usual rates |
|---|---------------------------|----------------------------------|-----------------------------------|--------------------------|----------------|------------------|--|
| S.E., Hooghly                           | 1                         | Commissioner of Excise           | 103(Pot)2000-01<br>Dt. 6.7.2001   | 4.00 lakh B.L.<br>(R.S.) | 1.36 lakh B.L. | 2.64 lakh B.L.   | 6.04 (only duty)                       |
|   |                           |                                  | 159(Pot)2000-01<br>Dt. 19.10.2001 | 2.00 lakh B.L.<br>(R.S.) | 1.20 lakh B.L. | 0.80 lakh B.L.   | 1.83 ( - do - )                        |
|   |                           |                                  | 9 (Pot) 2001-02<br>Dt. 31.12.2002 | 2.00 lakh B.L.<br>(R.S.) | 1.94 lakh B.L. | 0.06 lakh B.L.   | 0.14 ( - do - )                        |
| Collector of Excise, Kolkata            | 2                         | Collector of Excise, Kolkata     | 0174 dt. 28.08.01                 | 3,431.25 LPL<br>(whisky) | NIL            | 3,431.25 LPL     | 0.06 (duty and fee)                    |
|   |                           |                                  | 0502 dt. 06.03.02                 | 3,543.75 LPL<br>(Whisky) | NIL            | 3,543.75 LPL     | 0.06 (duty and fee)                    |
|   |                           |                                  |                                   |                          |                | <b>Total :</b>   | <b>8.13</b>                            |

After this was pointed out the Superintendent of Excise, Hooghly stated in September 2002 that the licensee was being requested to produce the relevant short lifting certificates against those three import permits, while the Collector of Excise, Kolkata stated in November 2003 that duty and fee of Rs.6.49 lakh in one case was realised in April 2003.

The matter was referred to Government between January and May 2003; followed by reminder in December 2003; their reply has not been received (December 2004).

#### 4.3 Non-realisation of excise duty on rectified spirit lost in transit

The Bengal Excise Act and the Rules made thereunder provide for allowance of wastage of rectified spirit by way of leakage and evaporation in transit at different rates between half per cent and two per cent depending on the

duration of journey. Such wastage in excess of the allowable limit is chargeable to duty at the highest rate applicable to foreign liquor.

Scrutiny of records of two country spirit bottling plants in the district of Burdwan (West) and Hooghly revealed that one distiller of South 24 Parganas despatched between December 2001 and January 2002, 47,052 LPL of rectified spirit underbond in two consignments to his country spirit bottling plants at Asansol and Serampore, of which 39,862.2 LPL reached the destinations. In one consignment the tanker was stated to have met with an accident at Rasulpur on 7 December 2001 in Burdwan (East) District causing wastage of rectified spirit of 5,626.30 LPL out of 26,928 but no spot enquiry report of the Excise authority of Burdwan (East) was produced in support of the claim. The other consignment reached the destination beyond the prescribed time limit involving transit wastage of 563.5 LPL out of 20,124 LPL. After considering total allowable transit wastage of 369.90 LPL chargeable transit wastage was 5,819.90 LPL which involved excise duty of Rs.8.32 lakh at the rate of Rs.143.00 per LPL.

After this was pointed out, the District Excise Officer (DEO), Burdwan (West) raised a demand of Rs.7.66 lakh in May 2002 which was pending in appeal while the District Excise Commissioner (DEC), Hooghly issued demand notice in June 2004.

The cases were reported to Government between August 2002 and February 2003; their reply has not been received (December 2004).

**4.4 Non-realisation of house rent allowance for not providing accommodation for excise officers and other establishment**

The Bengal Excise Act and the Rules made thereunder provide that the contractor/supplier of a country spirit warehouse or the licensee of a country spirit bottling plant, who fails to provide accommodation to Excise Officers-in-charge and other establishment posted therein, shall pay a fee with effect from 1 April 2001 in cash equivalent to admissible house rent allowance (HRA) in respect of said officers in charge and other establishment.

Scrutiny of records in 10<sup>2</sup> district excise offices between September 2002 and December 2003 revealed that the contractors/suppliers of 12 country spirit warehouses and licensees of three country spirit bottling plants could not provide accommodation to Excise officer-in-charge and other establishment posted therein, for different periods between April 2001 and March 2003 and as such they were liable to pay the relevant fee in cash equivalent to admissible HRA in respect of those Excise officers-in-charge posted in those warehouses and bottling plants for the period for which accommodation was not provided. The respective DEC, however, neither issued demand notices for realisation of said fee nor took any action against the defaulting licensees for non-compliance of terms and conditions of licence. This resulted in non-realisation of HRA of Rs.10.59 lakh.

After this was pointed out, three DEOs stated between September 2002 and December 2003 that demand notices for Rs.4.37 lakh were issued to four contractors and one licensee while the remaining DEOs stated that necessary action would be taken. Further reply has not been received (December 2004).

---

<sup>2</sup> Burdwan (East), Coochbehar, Darjeeling, Hooghly, Jalpaiguri, Kolkata, Malda, Murshidabad, Paschim Medinipur and Purba Medinipur.

**Audit Report (Revenue Receipts) for the year ended 31 March 2004**

The matter was reported to Government between December 2002 and February 2004 followed by reminders issued up to July 2004; their reply has not been received (December 2004).

## CHAPTER V MOTOR VEHICLES TAX

### 5.1 Results of audit

Test check of records relating to taxes on motor vehicles, conducted in audit during the year 2003-04, revealed non/short realisation of revenue amounting to Rs.7.61 crore in 91 cases, which broadly fall under the following categories:

| <i>(Rupees in crore)</i> |  |              |        |
|--------------------------|--|--------------|--------|
| Sl. No.                  | Categories   | No. of cases | Amount |
| 1.                       | Non/short levy/realisation of tax, fee, fine and penalty | 79           | 7.43   |
| 2.                       | Loss of revenue  | 12           | 0.18   |
| Total                    |  | 91           | 7.61   |

During the course of the year 2003-04, the concerned Department accepted underassessments etc. of Rs.3.48 crore involved in 68 cases of which 60 cases involving Rs.3.14 crore had been pointed out in audit during the year 2003-04 and the rest in earlier years. An amount of Rs.4 lakh was realised at the instance of audit.

A few illustrative cases involving Rs.5.56 crore highlighting important observations are given in the following paragraphs:

**5.2 Loss of revenue due to delay in issue of notification relating to fees**

The Government of India, Ministry of Road Transport and Highways by an amendment of the Central Motor Vehicles Rules, 1989 in notification dated 28 March 2001 enhanced the rates of fees for grant and renewal of certificate of fitness, driving/learners licence and registration to various types of motor vehicles from 28 March 2001.

A test check of records of six<sup>1</sup> Regional Transport Offices (RTOs) and Public Vehicles Department (PVD), Kolkata revealed that the RTOs actually started realisation of fees at revised rates from different dates between 25 June and 21 December 2001 as the State Government forwarded the said notification on or after 25 June 2001. The Transport Department delayed in circulation of the notification for realisation of fees at enhanced rates which resulted in short realisation of fees of Rs.1.24 crore in 84,594 cases between 28 March 2001 and 21 December 2001.

After this was pointed out, the Director, PVD, Kolkata stated in November 2002 that action would be taken to realise the dues while the other RTOs stated between May 2002 and November 2002 that due to non-receipt of the notification from the Department in time fees at enhanced rate could not be realised.

The cases were reported to Government between August 2002 and February 2003 followed by reminders issued up to July 2004; their reply has not been received (December 2004).

**5.3 Short realisation of permit fees due to non-implementation of the State Government notification**

The State Government in their notification dated 20 February 2003 enhanced the rates of fees for grant/renewal of various<sup>2</sup> kind of permits from 20 February 2003 by an amendment of the West Bengal Motor Vehicles Rules, 1989.

Scrutiny of records of three<sup>3</sup> RTOs revealed between June and September 2003 that the RTOs issued 146 permanent permits, 507 temporary permits and

---

<sup>1</sup> Asansol, Barrackpore, Dakshin Dinajpore, Hooghly, Malda and South 24 Parganas

<sup>2</sup> Permanent permits, temporary permits, special permits

<sup>3</sup> Burdwan, Durgapur and Purulia

147 special permits between 20 February 2003 and 13 March 2003 but had not realised permit fees at enhanced rate. This resulted in short realisation of permit fees of Rs.10.05 lakh.

After this was pointed out, the RTOs stated that the permit fees could not be realised at enhanced rates as the notification was not received in time, however, demand notices would be raised. Report on further development has not been received (December 2004).

The cases were reported to Government between June and November 2003 followed by reminders issued up to July 2004; their reply has not been received (December 2004).

#### **5.4 Loss of revenue due to delay in issue of notification relating to fine**

Government of India, Ministry of Surface Transport (GOI-MOST) in their notification dated 5 March 1997 directed all the State Governments to realise minimum fine of Rs.2,000 from each goods carriage detected while plying with load in excess of permissible load in addition to fine of Rs.1,000 per tonne of excess load in accordance with the provisions of the Motor Vehicles Act, 1988. This instruction was circulated by the Transport Department, Government of West Bengal to all the Regional Transport Offices in April 1997, but the notification was issued only on 23 April 2002 as required under Section 200(1) of the Act.

Scrutiny of records in five<sup>4</sup> RTOs and PVD, Kolkata revealed between September 2002 and September 2003 that the Enforcement Authorities did not realise fine at the prescribed rate from 389 goods carriages detected plying with excess load between July 2000 and March 2002 as per the instructions circulated. Non-realisation was due to non-issue of notification in this regard by the State Government. This resulted in loss of revenue of Rs.7.78 lakh.

After this was pointed out, the Enforcement Authorities of four<sup>5</sup> RTOs and PVD, Kolkata stated between December 2002 and April 2004 that minimum fine was not realised due to non-receipt of notification for such collection, while the Enforcement Authorities of Dakshin Dinajpur furnished no reply.

The cases were reported to the Government between November 2002 and November 2003 followed by reminders issued up to July 2004; their reply has not been received (December 2004).

---

<sup>4</sup> Alipurduar, Balurghat, Burdwan, Purulia and Siliguri.

<sup>5</sup> Alipurduar, Burdwan, Purulia and Siliguri.

**5.5 Non/short realisation of road tax, additional tax and penalty from different kinds of vehicles**

The West Bengal Motor Vehicles (WBMV) Tax Act, 1979 and the West Bengal Additional Tax and One-time tax on Motor Vehicles Act, 1989 prescribe the rate of taxes on motor vehicles according to their use, seating capacity and weight, as the case may be. As per clarifications of the Government of West Bengal, Transport Department issued in December 1998 and August 1999 additional tax of 50 per cent of road tax is leviable on dumper and tipper. Both the Acts provide for levy of penalty of an amount equal to tax and additional tax in case of non-payment of such taxes beyond 75 days from the due date of payment.

Scrutiny of records of five<sup>6</sup> RTOs and PVD Kolkata revealed that Taxing Officers did not levy and realise tax and additional tax or realised short thereof between April 1998 and March 2004 from different kinds of vehicles due to misclassification of vehicles and non-compliance of Government orders. This resulted in non/short realisation of tax, additional tax and penalty of Rs.20.90 lakh as detailed below:

| <i>(Rupees in lakh)</i>                 |  |   |  |
|---|--|---|--|
| Name of the Taxing Officer              | Nature of observation  | Period for which tax, additional tax and penalty involved (between) | Amount of non/short realisation of tax, additional tax and penalty |
| Alipurduar                              | In the case of six contract carriages additional tax of Rs.1.77 lakh were neither paid nor any demand was raised by the RTO. This attracted penalty of Rs.1.77 lakh for non-payment of additional tax                      | April 1998 and June 2003  | 3.55   |
| Burdwan<br>(28 buses of companies)      | 141 buses of companies were charged to tax and additional tax of Rs.4.02 lakh instead of Rs.6.03 lakh by incorrect classification as non-transport vehicles.   | April 1998 and March 2004   | 2.01   |
| Durgapur<br>(113 buses of companies)    |  | September 2001 and March 2004                                       |  |
| Durgapur<br>(29 dumpers and 81 tippers) | In the case of 29 dumpers and 139 tippers additional tax of Rs.5.36 lakh was neither paid nor it was demanded by the RTOs. This attracted penalty of Rs.5.36 lakh for non-payment of additional tax                        | October 2000 and August 2003  | 10.72  |
| Siliguri<br>(12 tippers)                |  | February 2001 and May 2002  |  |
| South 24 Parganas<br>(46 tippers)       |  | March 2001 and May 2002   |  |
| PVI, Kolkata<br>(four tourist bus)      | In the case of 10 buses of companies additional tax of Rs.0.78 lakh and penalty of Rs.0.78 lakh were neither assessed nor demanded. Besides, tax/additional tax of Rs.3.06 lakh were not realised from four tourist buses. | April 1998 and August 2002  | 4.62   |
| PVD, Kolkata<br>(10 buses of companies) |  | April 1998 and August 2002  |  |
|   |  |   | 20.90  |

<sup>6</sup> Alipurduar, Burdwan, Durgapur, Siliguri and South 24 Parganas.

After this was pointed out, three<sup>7</sup> Taxing Officers stated between June 2002 and September 2003 that demand notices had been/would be issued. Taxing Officer, Durgapur did not admit levy of tax on "Buses of Companies" for their purchase by individual while Taxing Officers, Durgapur and Siliguri stated that dumpers/tippers were not subject to levy of additional tax as per provision of the Act. The replies are not tenable as the purchase and registration of those buses were made in the name of Companies and dumper/tipper would attract additional tax as per orders of the State Government dated December 1998 and August 1999.

The cases were reported to Government between August 2002 and July 2003 followed by reminders issued upto July 2004. Their reply has not been received (December 2004).

### **5.6 Failure to follow the prescribed system in connection with traffic offences**

#### **5.6.1 Cases not referred to Court of Law/compounded but destroyed**

As per provisions of the WBMV Rules, 1989, the Compounding Officer including the Police Officers not below the rank of Sub-Inspector shall compound the offence with the consent of the offender and issue notice for payment of compounded fine, within seven days from the date of the issue of the notice. In case of non-payment of tax within the said period, he shall refer the case to the Court of Law for the prosecution of the offender. However, no period has been prescribed for the prosecution in the Court of Law in the Act. An offence case register was required to be maintained under the Act.

#### **• Police Department**

As per the information furnished by the Commissioner of Police, Kolkata 4,32,635 offence cases were detected between April 1998 and June 2000 but not compounded by the police officers. No effort was made to refer those cases for prosecution in a Court of Law. In addition 3,41,682 cases detected between July 2000 and March 2003 though compounded were destroyed without realisation of fine, under the order of the Deputy Commissioner of Police, Traffic even without making entries of details thereof as ordered by the said authority leaving no scope for their prosecution in a Court of Law. Besides, in South 24 Parganas, 1,592 cases were detected between April 1998

---

<sup>7</sup> Alipurduar, PVD (Kolkata), South 24 Parganas (Alipur)

***Audit Report (Revenue Receipts) for the year ended 31 March 2004***

and March 2003 and compounded but not referred to the Court of Law for prosecution due to non-recovery of composition money of Rs.63 lakh. These resulted in non-realisation of fine of Rs.2.56 crore as detailed below:

**(Rupees in crore)**

| Name of the office                          | Periods involved         | Cases compounded but not referred to Court for recovery of fine |               | Cases neither compounded nor referred to Court |                               | Cases compounded but documents/papers destroyed without recovery of fine |                               | Non-realisation/loss of revenue |
|---|--------------------------|---|---------------|--|-------------------------------|--|-------------------------------|---------------------------------|
|   |                          | No. of cases  | Fine involved | No. of cases                                   | Minimum fine @ Rs.25 per case | No. of cases   | Minimum fine @ Rs.25 per case |                                 |
| The Commissioner of Police, Kolkata         | April 1998 to June 2000  | --  | --            | 4,32,635                                       | 1.08                          | --   | --                            | 1.08                            |
| The Commissioner of Police, Kolkata         | July 2000 to March 2003  | --  | --            | --   | --                            | 3,41,682   | 0.85                          | 0.85                            |
| Superintendent of Police, South 24 Parganas | April 1998 to March 2003 | 1,592   | 0.63          | --   | --                            | --   | --                            | 0.63                            |
|   |                          | 1,592   | 0.63          | 4,32,635                                       | 1.08                          | 3,41,682   | 0.85                          | 2.56                            |

After this was pointed out in December 2003, the Commissioner of Police, Kolkata confirmed the fact of destruction of the records without prosecution in Court of Law. As to the reasons for non-referring the cases to Court of Law both the authorities furnished no reply (December 2004).

• **Transport Department**

Scrutiny of records in six<sup>8</sup> RTOs revealed that the Compounding Officers did not prosecute the offending owners/drivers of motor vehicles for their failure to pay compounded fines of Rs.12.14 lakh after expiry of the period of notices in 346 offence cases detected between November 1998 and February 2003. This resulted in non-realisation of fine of Rs.12.14 lakh.

After this was pointed out, three<sup>9</sup> Compounding Officers admitted between September 2002 and September 2003 the fact of non-reference of offence cases to the Courts of Law. However, steps taken for prosecution of the offence cases were not intimated. The remaining Compounding Officers furnished no specific reply (December 2004).

The cases were reported to Government between November 2002 and November 2003 followed by the reminders issued up to July 2004; their reply has not been received (December 2004).

<sup>8</sup> Dakshin Dinajpur - 42; Hooghly - 55; Howrah - 26; Jalpaiguri - 72 Malda-109 and Siliguri - 42

<sup>9</sup> Dakshin Dinajpur, Hooghly and Jalpaiguri.

**5.6.2 Loss due to delay in enforcing compounding of traffic offence**

Scrutiny of records of the offices of Superintendents of Police (SP), Burdwan, Darjeeling and North 24 Parganas, revealed that not even a single case of offence was detected during the periods varying between April 1998 and February 2003.

The inaction on the part of police authorities in compounding the traffic offence cases resulted in loss of Rs.1.25 crore based on average monthly realisation in each district since the date of enforcement of the provisions of the Act as shown below:

*(Rupees in crore)*

| Name of the district | Month from which compounding of traffic offence commenced | Average traffic offence cases detected per month | Amount realised per month on average (Rs. in lakh) | Periods involved                        | Amount of unrealised revenue |
|----------------------|---|--|--|---|------------------------------|
| Darjeeling           | March 2003  | 800  | 1.03   | April 1998 to February 2003 (59 months) | 0.61                         |
| North 24 Parganas    | April 1999  | 1,226  | 4.90   | April 1998 to March 1999 (12 months)    | 0.59                         |
| Burdwan              | November 1999   | 80   | 0.28   | April 1998 to October 1999 (19 months)  | 0.05                         |
| <b>Total:</b>        |   |  |  |   | <b>1.25</b>                  |

After this was pointed out, all the SPs admitted between December 2003 and February 2004 the delay in implementing the scheme and stated that system of compounding of traffic offence was enforced from different dates between April 1999 and March 2003.

The cases were reported to the Government in May 2004; their reply has not been received (December 2004).



## CHAPTER VI

### STAMP DUTY AND REGISTRATION FEES, ELECTRICITY DUTY AND OTHER TAX RECEIPTS

#### 6.1 Results of audit

Test check of records in the offices dealing with assessment and collection of electricity duty, professions tax and other tax receipts conducted in audit during the year 2003-04, revealed underassessments/non-levy etc. of tax amounting to Rs.566.20 crore in 179 cases, which broadly fall under the following categories :

(Rupees in crore)

| Sl. No. | Categories  | No. of cases | Amount        |
|---------|---|--------------|---------------|
|         | <b>A. STAMP DUTY AND REGISTRATION FEES</b>                  |              |               |
| 1.      | Non-realisation of deficit Stamp Duty and Registration Fees | 25           | 3.93          |
| 2.      | Blockage of Government Revenues                             | 25           | 8.46          |
| 3.      | Deficiencies in sale of stamps                              | 1            | 548.40        |
| 4.      | Others  | 25           | 0.43          |
|         | <b>Total</b>  | <b>76</b>    | <b>561.22</b> |
|         | <b>B. ELECTRICITY DUTY</b>                                  |              |               |
| 1.      | Non-assessment and non-realisation of electricity duty      | 4            | 0.43          |
| 2.      | Non-realisation of assessed electricity duty                | 3            | 0.04          |
| 3.      | Others  | 3            | 0.04          |
|         | <b>Total</b>  | <b>10</b>    | <b>0.51</b>   |
|         | <b>C. OTHER TAX RECEIPTS</b>                                |              |               |
| 1       | Professions Tax   | 77           | 1.62          |
| 2       | Amusement Tax   | 14           | 2.82          |
| 3.      | Agricultural Income Tax                                     | 2            | 0.03          |
|         | <b>Total</b>  | <b>93</b>    | <b>4.47</b>   |
|         | <b>Grand Total</b>  | <b>179</b>   | <b>566.20</b> |

During the course of the year 2003-04, the concerned department accepted underassessments etc. of Rs.6.64 crore in 75 cases of which 55 cases involving Rs.5.89 crore had been pointed out in audit during the year 2003-04 and the rest in earlier years. An amount of Rs.88.33 lakh was realised at the instance of audit.

A few illustrative cases involving Rs.3.23 crore highlighting important observations are given in the following paragraphs:

**A. STAMP DUTY AND REGISTRATION FEE**

**6.2 Deficiencies in sale of stamps**

**6.2.1 Introduction**

Levy and collection of Stamp Duty on different instruments are regulated by the Indian Stamp Act, 1899 as amended from time to time for its application in West Bengal and Rules framed thereunder.

There are two types of Stamps which are in vogue, i.e. judicial stamps and non-judicial stamps. The judicial stamps, governed by the Court fees Act, 1870, and the non-judicial stamps, governed by the Indian Stamp Act, 1899 are used for payment of duty on various kinds of instruments mentioned in the Schedule to those Acts, which are executed and registered under the Registration Act, 1908.

All kinds of stamps including postal stamps are printed and supplied by the Controller of Stamps, Central Stamp Depot(CSD) at Nasik and Hyderabad. These are brought to the Reserve State Stamp Store(RSSS), Kolkata as per indent of the State. The printing, supply, distribution and sale of stamps are governed by the Rules for Supply and Distribution of Stamps of the Government of India read with Supplementary Rules framed by the Government of West Bengal in April 1992.

**6.2.2 Forecasting**

As per Supplementary Rules for the supply and distribution of stamps notified in April 1992 by Finance Department, the treasury officers shall send not later than the 31 May every year, their forecasts of the non-postal stamps required by them during the ensuing financial year to the Finance Department indicating the actual issues during each of the preceding three years, the average annual consumption based on the issues of the preceding three years, the balance in hand on 1 April, the estimated issues for the current financial year and the forecast of stamps which the CSD will be required to supply during the ensuing year. A consolidated forecast shall be sent to the Controller of Stamps, Nasik by the Secretary, Finance Department.

During the course of audit it was noticed that no treasury was sending forecast to the Finance Department and no consolidated forecast was sent to the CSD, Nasik during 1993-94 to 2002-03 by the Department.

### **6.2.3 Supply, Receipt and Stock**

The RSSS, Kolkata under the Collector of Stamp Revenue, Kolkata is to receive supply of stamps from the India Security Press (ISP), Nasik Road, Mumbai and Security Printing Press (SPP), Hyderabad. Stamps are brought by the representatives of the Collectorate from the ISP in Railway Wagon escorted by armed police of the State while those received from the SPP are in covered container despatched by the Press with Police escort.

Rules for the WRSSS, Kolkata provides that an "Invoice Register of Stamps" for stamps received from the ISP and SPP should be maintained in prescribed form showing number and date of indent, date of receipt, Invoice number and date etc. by the Collector of Stamp Revenue, Kolkata. When supply against an indent is received partially, the details of the short supply should be noted in the remarks column.

Scrutiny of records revealed in April 2004 that no record was maintained in the RSSS, Kolkata. In the absence of the same cross- reference could not be made between the receipt of stamps from the ISP and SSP against the concerned indent. This indicated that internal control was not properly exercised.

### **6.2.4 Detection of fake stamps**

Under the provision of the Government of Bengal Rules, every licensed vendor at the time of sale of stamps shall write on the back of every stamp, the serial number, the date of sale, the name and residence of the purchaser and the value of stamp in the vernacular language etc. He shall also make corresponding entries in a register and shall submit the register at the end of every month to the district officer, or sub-divisional officer, for examination and deposit in his office. Similarly the treasuries at the time of sale of stamps to private parties also keep record of the serial number, the name of purchaser with address, denominations, date of sale etc. in the Issue Register and note the same on the back of stamp paper sold from the Treasury.

There is, however, no provision in the Act/Rule for reconciliation between the issue of stamps and its utilisation. The registering authorities are also not authorised to verify the genuineness of stamp papers used for preparation of documents and presented for registration.

It was noticed that the registers submitted by the licensed stamp vendors were not examined by the District Offices/Sub-divisional officers/Treasury officers and the following irregularities were noticed.

- **Stamps sold from Treasury**

Cross-verification of records of six<sup>1</sup> Registration Offices of two<sup>2</sup> districts with the issue register of Kolkata Collectorate Treasury revealed that in 25 cases involving stamps valued at Rs.10.78 lakh registered during the period 1999-2000 to 2002-03, the name of purchaser, denomination of stamps etc. as noted on the back of the stamp paper did not tally with the records of the treasury although the serial no. and date of sale of stamps were the same. Thus, the source of purchase of stamps was doubtful and could not be ascertained in audit.

- **Absence of provision for renewal of Vendors' licence**

As per the Government of Bengal Rules framed under the Indian Stamp Act a person licenced by the district officer, shall sell to the public such stamps as are indicated in his licences. The licence shall be revocable at any time by the licencing authority. There is, however, no provision for periodical renewal of the licences issued to stamp vendors.

Scrutiny of records of 10 district offices revealed that most of the licences were issued even more than 30 years ago. In the district of North 24 Parganas, five persons who received regular supply of stamps from treasury and sold them to public, were not in the list of licensed vendors. In the absence of the renewal provision, proper monitoring of the licensee could not be exercised by the district officers. The possible misuse of licence can not be ruled out.

---

<sup>1</sup> ARA-I, II & III/Kolkata, ADSR and DSR-I & II/North 24 Parganas.

<sup>2</sup> Kolkata and North 24 Parganas.

- **Non-inspection of vendors' accounts**

Treasury Rules provide that district officer or any officer duly authorised by him at any time shall inspect stamp vendors accounts and registers to examine the store of stamps in his possession.

In five<sup>3</sup> districts, it was noticed that no surprise check or inspection of vendor's accounts/stock of stamps was conducted either by the district officer or any other officer authorised by him.

- **Non-maintenance of vendor's register**

The West Bengal Stamp Rules, 1994, provided that a register of Stamp Vendors' licence in prescribed form shall be maintained in Stamp Department of the district.

Scrutiny of records revealed between February and April 2004 that in eight<sup>4</sup> districts no register of Stamp Vendors' licence was maintained by the collectors and as such the information about the stamp vendors was also not available from the Collectorates. Thus there was lack of coordination between the licensing authority and the treasury officer issuing the stamp to vendors to ascertain the exact number of authorised vendors operating within his jurisdiction.

### **6.3 Blockage of Revenue due to non-realisation of stamp duty and registration fees**

Under the Indian Stamp Act, 1899 as applicable in West Bengal read with departmental circulars issued in July 1998 where the registering authority has reason to believe that market value of the property has not been truly set forth in the documents presented for registration, he is authorised to register such document provisionally. Thereafter, he is required to ascertain the market value of the property and issue notice to the executant for payment of deficit stamp duty and registration fees, if any, within 30 days from the date of presentation. In the event of non-payment within the stipulated period of 30 days, the case is to be referred to the Collector/Deputy Inspector General of

---

<sup>3</sup> Darjeeling, Howrah, Jalpaiguri, North 24 Parganas and South 24 Parganas.

<sup>4</sup> Darjeeling, Howrah, Jalpaiguri, Kolkata, North 24 Parganas, Paschim Medinipur, Purba Medinipur and South 24 Parganas.

Registration within 15 days for determination of market value of the property and collection of deficit stamp duty and registration fees.

Scrutiny of records of two<sup>5</sup> Registration Offices revealed that 110 documents presented for registration between November 2002 and March 2003 had been kept pending in the local offices even after ascertaining market value of the property of the documents. No notice was, however, issued by the registering authorities to the executants for payment of deficit stamp duty and registration fees. This resulted in blockage of revenue of Rs.19.36 lakh

After this was pointed out, the Registration Officers accepted audit observation and stated between December 2003 and January 2004 that action was being taken to dispose of the pending cases/to refer the cases to the higher authorities.

The cases were reported to Government in February 2004 followed by reminders issued up to July 2004; their reply has not been received (December 2004).

## **B. ELECTRICITY DUTY**

### **6.4 Non-assessment and non-realisation of electricity duty**

Under the Bengal Electricity Duty Act, 1935 no electricity duty shall be payable by a person (other than the licensee) who generates energy from a diesel generating plant/set registered under the Act for his own consumption for any industrial or manufacturing process. In cases where such generating set is not registered, the owner thereof shall be liable to pay electricity duty under the Act. If someone defaults for any period, the Assessing Authority shall assess electricity duty on the basis of his best judgement.

Scrutiny of records of the office of District Collector, Paschim Mednipur revealed that owners of two unregistered diesel generating sets generated and consumed electricity for different consumption periods between January 2000 and March 2003. However, electricity duty of Rs.15.62 lakh was not demanded by the Collector and thereby remained unrealised. This resulted in non-realisation of revenue of Rs.15.62 lakh.

---

<sup>5</sup> ADSR Ranihati, Sadar Murshidabad.

This was pointed out in audit in June 2003 to the Collector, Paschim Mednipur. The case was reported to Government in July 2003 followed by reminders issued up to July 2004; their reply has not been received (December 2004).

## **C. OTHER TAX RECEIPTS**

### **6.5 Non-realisation of professions tax due to non-enrolment**

Under the West Bengal State Tax on Professions, Trades, Callings and Employments Act, 1979 every person coming under the purview of the Act shall be liable to be enrolled and pay tax at the prescribed rates. In the event any person failing to get himself enrolled and pay tax for any period the prescribed authority shall determine to the best of his judgement the amount of tax for such period. The amount of tax shall be paid by such person and by such date as specified in the notice.

Cross verification of records of six<sup>6</sup> Unit offices of Profession Tax with the records of nine<sup>7</sup> offices revealed that 115 owners of nursing homes/pathological laboratories, 180 licensed money lenders, 294 owners of STD/ISD/PCO Booths, 115 foreign/country liquor vendors, 162 Cable TV operators, 34 LPG/Kerosene oil dealers, 59 Rice Mill owners, 40 owners of Computer Training Centres, 32 owners of Video Hall/Parlours, 89 dealers, 15 owners of Beauty Parlours, 11 social function hall owners and 51 small saving agents were not enrolled between 1998-99 and 2002-03. No notice was served to the defaulters by Profession Tax Officers. This resulted in non-realisation of professions tax of Rs.52.07 lakh.

After this was pointed out between March 2003 and December 2003 the Profession Tax Officer (PTO) North Unit-II, Jalpaiguri realised Rs.1.52 lakh out of Rs 10.50 lakh up to December 2004, while other PTOs did not furnish any reply (December 2004).

The cases were reported to the Government between March 2003 and July 2003 followed by reminders issued up to July 2004; their reply has not been received (December 2004).

---

<sup>6</sup> Central Unit - VIII, North Unit-II, West Unit - I, II, III & IV

<sup>7</sup> Collectors, Sub-Divisional Officers, Deputy Controller of Food and Supply, Chief Medical Officer of Health of districts concerned, Superintendent of Excise, Asstt. Commissioner of Commercial Taxes, Municipal Corporation, Telephone Exchange and Head Post Office

**6.6 Non-levy of fine for exhibition of cinematograph without valid licence**

Under the West Bengal Cinemas Regulations Act, 1954, no person shall give a public exhibition by means of a Cinematograph elsewhere than in a place in respect of which a licence has been granted. For contravention of the provisions of the Act he shall be punishable with fine which may extend to Rs.1,000 and in the case of continuing offence, with a further fine which may extend to Rs.100 for each day during which the offence continues.

Scrutiny of records of the Commissioner of Police, Kolkata revealed that the owners of 66 Cinema Halls in Kolkata continued public exhibition of cinematograph without valid licence for a period varying between two and 21 years attracting fine of Rs.2.25 crore till March 2003. The licensing authority, however, did not take any action to impose fine for contravening the provisions of the Act.

After this was pointed out between November 2003 and March 2004 the local office stated between November 2003 and March 2004 that the matter was being referred to the Government.

The cases were reported to Government in June 2004; their reply has not been received (December 2004).

## CHAPTER VII MINES AND MINERALS

### 7.1 Results of audit

Test check of records relating to receipts from mines and minerals under different District Land and Land Reforms (DL & LR) offices, office of the Cess Deputy Collector, Chief Mining Office and other Mining Offices, conducted in audit during the year 2003-04, revealed under assessments, non/short realisation of revenue amounting to Rs.7.65 crore in 66 cases, which broadly fall under the following categories :

| Sl. No.      | Category   | (Rupees in crore) |             |
|--------------|--|-------------------|-------------|
|              |  | No. of cases      | Amount      |
| 1            | Non/short assessment of cess on minor/major minerals                                       | 3                 | 0.20        |
| 2            | Non/short assessment/realisation of price of minor/major minerals extracted unauthorisedly | 23                | 0.76        |
| 3            | Non/short assessment/realisation of surface/dead rent                                      | 7                 | 0.31        |
| 4            | Non-assessment/non-realisation of royalty and cess   | 23                | 0.78        |
| 5            | Other cases  | 10                | 5.60        |
| <b>Total</b> |  | <b>66</b>         | <b>7.65</b> |

During the course of the year 2003-04, the concerned Department accepted underassessments etc. of Rs.6.90 crore involved in 55 cases of which 40 cases involving Rs.6.29 crore had been pointed out in audit during the year 2003-04 and the rest in earlier years. An amount of Rs.21.14 lakh was realised at the instance of audit.

A few illustrative cases involving Rs.1.37 crore highlighting important observations are given in the following paragraphs:

## **7.2 Non/short realisation of revenue from minerals extracted unauthorisedly**

Under the provisions of the Mines and Minerals (Regulation and Development) Act, 1957, as amended in 1972, and the Rules made thereunder no person is entitled to undertake any mining operation in any area except under the authority of a valid quarry permit/mining lease. In the event of unauthorised extraction of minerals, apart from other penal action, the Department is empowered to recover either the minerals raised unlawfully or where such minerals have already been disposed of, the price thereof. By an order issued in September 1984, the Board of Revenue, West Bengal fixed the market price of brick earth at Rs.30 per 100 cft. for 1981 with an increase of Rs.1.50 per 100 cft. each year till a new price is fixed by the Director of Mines and Minerals, West Bengal.

Scrutiny of records of five<sup>1</sup> DL & LR offices revealed that in 189 cases, brick-field owners had extracted 155.76 lakh cft. of brick-earth between 1998-99 and 2002-03 without any quarry permit. The illegal extraction was detected by Revenue Inspector under the Block Land and Land Reforms Office but DL & LR officers failed to take any action to recover the price. Out of the total realisable amount of Rs.92.05 lakh as price of brick-earth, the district authorities could realise only Rs.12.13 lakh. This resulted in non/short realisation of price of Rs.79.92 lakh.

After this was pointed out, three district authorities stated between August 2002 and June 2003 that action would be taken to realise the arrear dues while the other two<sup>2</sup> district authorities did not furnish any reply (December 2004).

The cases were reported to Government between November 2002 and August 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

## **7.3 Short realisation of royalty and cess due to application of pre-revised rate**

Under the West Bengal Minor Minerals (WBMM) Rules 1973, read with the Cess Act, 1880, West Bengal Primary Education Act, 1973 and the

---

<sup>1</sup> Bankura, Burdwan (East), Murshidabad, North 24 Parganas & South 24 Parganas.

<sup>2</sup> Murshidabad and North 24 Parganas

West Bengal Rural Employment and Production Act, 1976, extraction of minor minerals is permissible on the strength of a quarry permit issued by the Collector on realisation of royalty and cesses<sup>\*</sup> in advance at the rate prescribed by the Government. The rate of royalty and cesses on sand, stone and morrum has been revised with effect from 8 November 2002.

Scrutiny of records of three<sup>3</sup> DL & LR offices revealed that in 323 cases the district authorities granted quarry permits between 11 November 2002 and 14 January 2003 for extraction of 99.05 lakh cft. of minor minerals at pre-revised rate. Circulation of notification by Director of Land Records and Surveys & Joint Land Reforms Commissioner, West Bengal on 20 December 2002 resulted in short realisation of royalty and cesses of Rs 26.44 lakh as under.

(Rupees in lakh)

| Name of Minerals | Period of extraction | No. of cases | Quantity extracted (lakh cft.) | Revised rate (Rs. per 100 cft.) |       | Pre revised rate (Rs. per 100 cft.) | Difference in rate (Rs. per 100 cft.) | Short realisation |
|------------------|----------------------|--------------|--------------------------------|---------------------------------|-------|-------------------------------------|---------------------------------------|-------------------|
| 1                | 2                    | 3            | 4                              | 5                               |       | 6                                   | 7                                     | 4 x 7             |
| Sand             | 11.11.02 to 20.12.02 | 255          | 74.75                          | Royalty                         | 63.00 | 37.50                               | 25.50                                 | 19.06             |
|                  |                      |              |                                | Cesses                          | 14.00 | 12.50                               | 1.50                                  | 1.12              |
|                  | 21.12.02 to 14.01.03 | 48           | 16.95                          | Royalty                         | 63.00 | 37.50                               | 25.50                                 | 4.32              |
|                  |                      |              |                                | Cesses                          | 14.00 | 12.50                               | 1.50                                  | 0.25              |
| Stone            | 11.11.02 to 20.12.02 | 4            | 0.80                           | Royalty                         | 63.00 | 50.00                               | 13.00                                 | 0.10              |
|                  |                      |              |                                | Cesses                          | 24.00 | 21.25                               | 2.75                                  | 0.02              |
|                  | 21.12.02 to 14.01.03 | 1            | 0.30                           | Royalty                         | 63.00 | 50.00                               | 13.00                                 | 0.04              |
|                  |                      |              |                                | Cesses                          | 24.00 | 21.25                               | 2.75                                  | 0.01              |
| Morrum           | 11.11.02 to 20.12.02 | 15           | 6.25                           | Royalty                         | 43.00 | 20.00                               | 23.00                                 | 1.44              |
|                  |                      |              |                                | Cesses                          | 15.00 | 13.75                               | 1.25                                  | 0.08              |
| <b>Total</b>     |                      | <b>323</b>   | <b>99.05</b>                   |                                 |       |                                     |                                       | <b>26.44</b>      |

After this was pointed out all the district authorities stated between June 2003 and September 2003 that action would be taken to realise the dues. Further reply had not been received (December 2004).

The cases were reported to Government between July 2003 and October 2003, followed by reminders issued upto July 2004; their reply has not been received (December 2004).

\* Public Works Cess, Road Cess, Primary Education Cess and Rural Employment Cess.

<sup>3</sup> Bankura, Birbhum and Burdwan (West)

## **7.4 Non/short realisation of royalty and cesses on minor minerals**

### **7.4.1 Non-realisation of royalty and cesses**

Under the WBMM Rules, extraction of minor minerals is permissible on the strength of a quarry permit issued by the Collector on realisation of royalty and other dues in advance at the rate prescribed by the Government. Besides, under the provisions of the Cess Act, as amended in 1984 read with the West Bengal Primary Education Act, 1973 and West Bengal Rural Employment and Production Act, 1976, holders of quarry permits are liable to pay different kinds of cesses\* at the rates of Rs.2.50 per MT of minor minerals extracted and dispatched from the quarries from 1 June 1987.

Scrutiny of records of four<sup>4</sup> DL & LR offices revealed that in granting 277 quarry permits for extraction of 318.55 lakh cft. of minor minerals during the period from 1998-99 to 2001-02, cesses were not realised by District authorities at all or realised short due to application of incorrect rate. This resulted in non/short realisation of cesses of Rs.25.55 lakh.

### **7.4.2 Short realisation of royalty and cesses**

Three<sup>5</sup> DL & LR officers granted 128 quarry permits for extraction of 134.52 lakh cft of minor minerals (Brick Earth – 130.04 lakh cft. and Boulder – 4.48 lakh cft.) between 1998-99 and 2001-02 without realisation of royalty as well as cesses in full at prescribed rates. The district authorities assessed and realised royalty and cesses of Rs.20.36 lakh against Rs.25.87 lakh. This resulted in short realisation of revenue of Rs.5.51 lakh.

After this was pointed out, the district authorities stated between November 2001 and September 2003 that action would be taken to realise the dues by raising demands. Further reply was awaited (December 2004).

The cases were reported to Government between January 2002 and October 2003 followed by reminders issued up to July 2004; their reply has not been received (December 2004).

---

\* Public Works Cess – 50 paisa, Road Cess – 50 paisa, Primary Education Cess – Re 1 and Rural Employment Cess – 50 paisa.

<sup>4</sup> Burdwan (East), Jalpaiguri, Malda and North 24 Parganas.

<sup>5</sup> Jalpaiguri, Nadia and North 24 Parganas.

## CHAPTER VIII OTHER NON-TAX RECEIPTS

### 8.1 Results of audit

Test check of records relating to revenue of Police, Forest, Irrigation & Waterways and Public Works Departments conducted during the year 2003-04 revealed non/short realisation of revenue of Rs.342.74 crore in 76 cases, which broadly fall under the following categories :

| <i>(Rupees in crore)</i> |  |              |               |
|--------------------------|--|--------------|---------------|
| Sl. No.                  | Categories   | No. of cases | Amount        |
|                          | <b>A. POLICE RECEIPTS</b>  |              |               |
| 1                        | Review on "Assessment and collection of receipts of Police Department" | 1            | 300.24        |
|                          | <b>B. FOREST RECEIPTS</b>  |              |               |
| 1.                       | Non/short realisation of revenue/royalty                               | 18           | 0.63          |
| 2.                       | Loss of revenue  | 14           | 3.56          |
| 3.                       | Others   | 20           | 34.94         |
|                          | <b>Total</b>   | <b>53</b>    | <b>39.13</b>  |
|                          | <b>C. RECEIPTS FROM OTHER DEPARTMENTS</b>                              |              |               |
| 1                        | Irregularities in Public Works Department                              | 18           | 3.17          |
| 2                        | Irregularities in Irrigation & Waterways                               | 5            | 0.20          |
|                          | <b>Total</b>   | <b>23</b>    | <b>3.37</b>   |
|                          | <b>Grand Total</b>   | <b>76</b>    | <b>342.74</b> |

During the course of the year 2003-04, the concerned departments accepted non/short realisation of revenue of Rs.308.58 crore involved in 91 cases of which 54 cases involving Rs.307.16 crore had been pointed out in audit during the year 2003-04 and the rest in earlier years. An amount of Rs.21.16 lakh was realised at the instance of audit.

A few illustrative cases including Rs.1 crore and a review on "Assessment and Collection of Receipts of Police Department" having financial effect of Rs.210.01 crore highlighting important observations are given in the following paragraphs:

## **A. POLICE RECEIPTS**

### **8.2 Review on “Assessment and Collection of receipts of Police Department” for the period 1998-99 to 2002-03**

#### **Highlights**

- The Department did not realise police cost of Rs.129.53 crore from Railways/ Central Government  
(Paragraph 8.2.8)
- Police cost of Rs.65.86 crore was not realised from Kolkata Port Trust  
(Paragraph 8.2.10)
- Lack of control mechanism led to non/short assessment of police cost of Rs.6.01 crore  
(Paragraph 8.2.11)
- Mistake in computation in raising demand of police cost of Rs.7.18 crore was noticed  
(Paragraph 8.2.12)
- Laxity on the part of police authority in the disposal of confiscated vehicles resulted in vehicles being stolen from their custody  
(Paragraph 8.2.13)

#### **8.2.1 Introduction**

Receipts of Police Department comprise recovery of cost for supply of police force to different organizations including Central and other State Governments, either permanently or on temporary basis. Recovery from Central Government arises also by way of reimbursement of expenditure for discharging agency functions when so undertaken e.g. registration and surveillance of foreigners, international border check post duties etc. Recovery of police cost from Central Government is made except for pension & leave salary contribution.

The systems of assessment, collection and accounting of receipts are governed by five principal Acts<sup>1</sup> and the Police Regulations of Bengal, 1943, made thereunder and the Government orders issued from time to time. Cost of police personnel includes pay and allowances and element of other direct and indirect

---

<sup>1</sup> The Police Act, 1861, the Calcutta Police Act, 1866, the Calcutta Suburban Police Act, 1866, West Bengal Police Act, 1952 and the Indian Arms Act, 1959

expenditure incurred for them. Demands for cost of permanent police guard deployed are raised in arrears while those of escort charges provided as temporary measures are realised in advance before the deployment thereof.

The Police Statutes do not prescribe any time limit for payment of demand for cost of police force deployed. Provisions for charging interest for delay in payment/non-payment of arrear as well as invoking the provisions of the Public Demands Recovery (PDR) Act, 1913, do not exist in the Acts/Rules governing police receipts.

### **8.2.2 Organisational set up**

The Principal Secretary of Home (Police) Department, Government of West Bengal is in overall control and superintendence of the Department assisted by the Director General of Police (DGP), West Bengal, and the Commissioner of Police, Kolkata. The DGP is assisted by the Additional Director General (ADGP), Inspectors General(IG), Deputy Inspectors General(DIG) in charge of ranges, Superintendents of Police(SP) at the District level. The responsibility of assessment and collection of police cost for deployment of police personnel for Railways and outside the State lies with the DGP and for Kolkata district lies with the Commissioner of Police who is assisted by Additional Commissioners of Police, Joint Commissioners of Police, Deputy Commissioners of Police and Assistant Commissioners of Police, Kolkata. Besides, the Commissioner of Police, Kolkata is specially empowered to realise various kinds of licence and renewal fees like licence and certificate fees from hotels, bars, shops, cabaret shows under the Calcutta Police Act, 1866 and Calcutta Suburban Police Act, 1866 and licence and renewal fees of different kinds of Arms and Fire works under the Indian Arms Act, 1959.

### **8.2.3 Scope of audit**

The records relating to the assessments and collection of receipts under the Police Department for the period 1998-99 to 2002-03 of 11<sup>2</sup> districts out of 19 districts in addition to office of the Commissioner of Police, Kolkata and DGP, West Bengal were test checked between October 2003 and February 2004.

### **8.2.4 Audit Objective**

The audit was undertaken for the period from 1998-99 to 2002-03 to ascertain

- correct and proper assessment and extent of compliance to the Acts/Regulations;
- analyse the reasons for police receipts remaining unrecovered;
- evaluate the extent and correctness of unrecovered police receipts;
- lacunae in the Police Regulations of Bengal, 1943, if any;
- untapped areas to bring within the purview of collection of police receipts.

### **8.2.5 Trend of revenue**

The trend of budget estimates vis-à-vis actual receipts for the last five years are as follows:

| <i>(Rupees in crore)</i> |                         |                        |                  |                                |
|--------------------------|-------------------------|------------------------|------------------|--------------------------------|
| <b>Year</b>              | <b>Budget Estimates</b> | <b>Actual receipts</b> | <b>Variation</b> | <b>Percentage of variation</b> |
| 1998-99                  | 30.28                   | 37.56                  | 7.28             | 24.04                          |
| 1999-2000                | 31.80                   | 45.13                  | 13.33            | 41.92                          |
| 2000-01                  | 55.00                   | 54.75                  | (-)0.25          | (-)0.45                        |
| 2001-02                  | 58.00                   | 60.99                  | 2.99             | 5.16                           |
| 2002-03                  | 70.00                   | 64.30                  | (-)5.70          | (-)8.14                        |

The budget estimate for 1999-2000 was fixed abnormally low at Rs.31.80 crore in comparison to actual receipt of Rs.37.56 crore in 1998-99

### **8.2.6 Violation of Rules due to non-credit of sale proceeds of unclaimed confiscated goods to police receipts head**

Under the provisions of the Calcutta Police Act, the Commissioner of Police, Kolkata is empowered to dispose of the unclaimed confiscated goods, through auction after expiry of six months from the date of confiscation. The sale

---

<sup>2</sup> Birbhum, Burdwan, Coochbehar, Darjeeling, Hooghly, Howrah, Kolkata, North 24 Parganas, Paschim Medinipur, Purba Medinipur and South 24 Parganas.

proceeds of such goods is miscellaneous receipt of the Police department and shall be credited under '0055-Police receipts'.

Scrutiny of records of the Commissioner of Police, Kolkata revealed that a sum of Rs.67.05 lakh was realised by the Commissioner by way of disposal of unclaimed confiscated goods through auction during the periods between 1998-99 and 2002-03 but credited the same under the head 'Deposit and Advances' in violation of Government Accounting Rules. This adversely affected collection of non-tax revenue of the Government.

After this was pointed out in November 2003 the local office confirmed the views of audit.

### 8.2.7 Lack of monitoring to recover the police cost

As per instructions issued in September 1988 by the DGP and reiterated from time to time a Progress Report is to be furnished quarterly by each SP of the district to the DGP stating therein the progress of recovery of police cost and the position of amount lying outstanding. No such instructions were issued by the Commissioner of Police, Kolkata.

Test check of the records of the office of the DGP, West Bengal revealed that though quarterly Progress Reports were received from the SPs of the districts, these were not compiled. The position of arrears was also not available with the Office of the Commissioner of Police, Kolkata. Hence the position of arrears was not available for the entire State. In the absence of the information audit is unable to comment on the monitoring of recovery of arrear.

A test check of records of 10<sup>3</sup> districts under the jurisdiction of DGP and the office of the Commissioner of Police, Kolkata revealed that an amount of Rs 253.60 crore was outstanding as on 31 March 2003.

(Rupees in crore)

| Nature of organisations         | No. of organisation | Outstanding dues |  | Total         |
|---------------------------------|---------------------|------------------|--|---------------|
|                                 |                     | As on 31.03.1998 | For the period from 1998-99 to 2002-03 |               |
| Public Sector Banks             | 18                  | 0.84             | 3.93                                   | 4.77          |
| State Government Undertakings   | 10                  | 17.70            | 13.65                                  | 31.35         |
| Other Bodies                    | 4                   | 0.07             | 0.77                                   | 0.84          |
| Central Government Undertakings | 5                   | 34.55            | 37.31                                  | 71.86         |
| Central Government Departments  | 20                  | 38.85            | 105.93                                 | 144.78        |
| <b>Total:</b>                   | <b>57</b>           | <b>92.01</b>     | <b>161.59</b>                          | <b>253.60</b> |

<sup>3</sup> Birbhum, Burdwan, Coochbehar, Darjeeling, Hooghly, Howrah, North 24 Parganas, Paschim Medinipur, Purba Medinipur and South 24 Parganas.

Furthermore, there is no provision in the Police Regulations of Bengal, 1943 for imposition of interest and deterrent clauses for non-payment of police cost. In the absence of specific provision no interest can therefore be realised from the defaulting organisations on their outstanding dues.

### **8.2.8 Short realisation/non-reimbursement of police cost**

- **From Railways**

Police cost is charged on police personnel deployed permanently in different Zonal Railways as per Police Regulations of Bengal, 1943. Government of India Accounting Rules, 1990 lay down the nature of items to be included for assessment of police cost. As per Railways agreement dated April 1979 a certificate in respect of correctness of the charges raised against Railway Administration has to be obtained from the Accountant General (A & E) of the State for which a Statement of Expenditure (SOE) is required to be sent by the DGP to the Accountant General (Audit) of the State.

The DGP assessed police cost of Rs.128.10 crore for deployment of police personnel in Railways, termed as Government Railway Police (GRP) and raised the same against the Railways.

The SOE indicating the details of expenditure were not forwarded to the Accountant General in the absence of which audit certificate was not issued. The Eastern Railways made only part payment for want of audit certificate while South-Eastern Railways and North-Frontier Railways made no payment. Thus lack of action on the part of the Department resulted in short realisation of Rs.68.89 crore as detailed below:

*(Rupees in crore)*

| Name of the Railway Zone    | Opening balance as on 1 April 1998 | Total demand issued for the periods from 1998-99 to 2002-03 | Payment made | Total closing Balance due as on 31 March 2003 |
|-----------------------------|------------------------------------|---|--------------|---|
| Eastern Railway             | 17.82                              | 84.35   | 59.21        | 42.96   |
| South-Eastern Railway       | 3.04                               | 6.75  | Nil          | 9.79  |
| North East Frontier Railway | 7.17                               | 8.97  | Nil          | 16.14   |
| <b>Total:</b>               |                                    |   |              | <b>68.89</b>                                  |

- **From the Central Government**

The Government of West Bengal discharges agency functions on behalf of Government of India, by deploying additional police force on Indo-Nepal, Indo-Bhutan and Indo-Bangladesh Border and immigration check post for

registration and surveillance of foreigners, citizenship matters and passport works subject to recovery of cost except pension and leave salary contribution. The Accountant General (Audit) issued audit certificates certifying the correctness of expenditure of Rs.42.36 crore incurred by the State Government for the periods from 1998-99 to 2001-02. No such reimbursement of expenditure was made to that extent.

Moreover, audit certificate in respect of expenditure of Rs.18.28 crore incurred during 2002-03 could not be issued by the Accountant General (Audit) for non-furnishing of SOE by the State Government.

This resulted in non-realisation of Rs.60.64 crore Government revenue.

### 8.2.9 Non-assessment of police cost

Under the provisions of the Police Regulations of Bengal, a control register containing the names of the borrowing units with particulars of sanctioned strength of police personnel as deployed in any organisation on permanent basis is to be maintained by the Reserve Inspectors of Police Lines of the districts. The SP of the district is to assess the police cost with reference to the sanctioned strength of police/civil personnel and raise the demand against the borrowing department.

Scrutiny of control register maintained in the office of the SP, South 24 Parganas revealed that police cost was not assessed against four organisations to whom the police force was deployed. Consequently demand notice was not issued for the periods between April 2001 and March 2003 as detailed below:

*(Rupees in lakh)*

| Organisation                                | Sanctioned strength and deployment       | No. of cases | Period of deployment | Amount involved for non-assessment |
|---|--|--------------|----------------------|------------------------------------|
| Budge Budge Radio Guard                     | Head Constable (HC) – 2<br>Constable – 5 | 2            | April'01 to March'03 | 15.70                              |
| All India Radio Transmitting Centre, Amtola | HC-1<br>Constable – 3                    | 2            | -do-                 | 8.95                               |
| FCI Godown (OJM) Budge Budge                | HC – 2<br>Constable – 10                 | 2            | -do-                 | 26.74                              |
| CMW & S.A. Santoshpur                       | HC – 2<br>Constable – 9                  | 2            | -do-                 | 24.53                              |
| <b>Total</b>                                |  | <b>8</b>     |                      | <b>75.92</b>                       |

Besides periodical returns submitted by the Superintendent of Police, South 24 Parganas to the DG neither contained this information nor was this demanded by him. Thus the raising of demand was not watched at higher level also.

After this was pointed out in December 2003 the Reserve Inspector of Police Lines, South 24 Parganas confirmed the non-raising of demand. However, steps taken to raise the demand have not been intimated (December 2004).

### **8.2.10 Failure to realise police cost from Kolkata Port Trust**

An agreement was made in April 1919 between the Kolkata Port Trust and the then Government of Bengal specifying that the Port Trust would bear 70 per cent of the total police cost assessed for deployment of police/civil personnel in the port area for both 'watch and ward' and 'law and order' duties.

It was noticed that Port Trust Authority engaged Central Industrial Security Force (CISF) in Kolkata Port area from 1972-73. However, it did not terminate the agreement entered into with the Police Department which still continued to deploy its personnel in and outside the port. The Port Trust Authority in March 2002 refused to make payment under the circumstances that it had engaged CISF in the port area since 1972-73. The police cost of Rs.65.86 crore remained unrealised as detailed below:

| <i>(Rupees in crore)</i> |                 |               |       |                    |                 |                                |
|--------------------------|-----------------|---------------|-------|--------------------|-----------------|--------------------------------|
| Year                     | Opening Balance | Assessed dues | Total | Realisation If any | Closing Balance | Strength of police/civil force |
| 1998-99                  | 34.42           | 4.73          | 39.15 | Nil                | 39.15           | 1,106                          |
| 1999-2000                | 39.15           | 4.74          | 43.89 | Nil                | 43.89           | 1,187                          |
| 2000-01                  | 43.89           | 7.35          | 51.24 | Nil                | 51.24           | 1,187                          |
| 2001-02                  | 51.24           | 7.31          | 58.55 | Nil                | 58.55           | 1,199                          |
| 2002-03                  | 58.55           | 7.31*         | 65.86 | Nil                | 65.86           | 1,199                          |

\*(Based on previous year's demand as no assessment has been made)

No action was taken to terminate the agreement and withdraw the police force. The department did not furnish any reasons for continued deployment of force in the Port area in spite of non-payment of assessed dues though in the case of State Warehousing Corporation, the Police Authority had withdrawn its force in December 1994 for non-payment of police cost. This reflected lack of effective control and monitoring.

### **8.2.11 Lack of control mechanism led to non/short assessment of police cost**

#### **Short assessment of police cost**

The distribution of ration commodities at subsidised rate to police staff of the ranks from Sub-Inspector to Constables including those deployed to other organizations was commenced from the year of 1966. The ration commodities were supplied to the police personnel at uniform rate in all districts of the State till March 2002. The distribution of ration commodities was discontinued by

the Government from April 2002 and an uniform rate of ration allowance of Rs.600 per month was introduced irrespective of ranks of police force.

The Commissioner of Police, Kolkata while assessing the police cost recoverable for deployment of police personnel at different organisations considered the ration subsidy at uniform rates irrespective of ranks of police force. The DGP at Kolkata and SPs of five<sup>4</sup> districts, however, applied lower as well as varying rates of ration subsidy for assessment of police cost for different ranks of police force. The application of lower rates of ration subsidy and ration allowance in assessing police cost for the periods from 1998-99 to 2002-03 resulted in short assessment of Rs.4.04 crore as below:

| District          | Periods involved   | Total strength of police force                  | Rate of ration subsidy applicable (varying between ) | Rate of ration subsidy applied (varying between) | Ration subsidy assessed short (varying between) | Short assessed (Rupees in crore) |
|-------------------|--------------------|---|--|--|---|----------------------------------|
| Kolkata           | 1998-99 to 2001-02 | 3235<br>(assessed at 50 per cent of total cost) | Rs.752 and Rs.850                                    | Rs.99 and Rs.702                                 | Rs.148 and Rs.330                               | 3.00                             |
| South 24 Parganas | 1998-99 to 2001-02 | 111 (full rate)                                 | Rs.752 and Rs.850                                    | Rs.181 and Rs.300                                | Rs.300 and Rs.649                               | 0.31                             |
| Darjeeling        | 1998-99 to 2001-02 | 74 (full rate)                                  | Rs.752 and Rs.850                                    | Rs.300   | Rs.452 and Rs.600                               | 0.18                             |
| Hooghly           | 1998-99 to 2001-02 | 77 (full rate)                                  | Rs.752 and Rs.850                                    | Rs.208 and Rs.300                                | Rs.544 and Rs.592                               | 0.21                             |
| Coochbehar        | 1998-99 to 2001-02 | 55 (full rate)                                  | Rs.752 and Rs.850                                    | Rs.300   | Rs.300 and Rs.550                               | 0.13                             |
| Howrah            | 1998-99 to 2001-02 | 39 (full rate)                                  | Rs.752 and Rs.850                                    | Rs.203 and Rs.300                                | Rs.300 and Rs.598                               | 0.11                             |
|                   |                    |   |  |  |   | 3.94                             |

*Ration allowance from April 2002 to March 2003 was short assessed in four<sup>5</sup> districts for Rs.0.10 crore*

After this was pointed out between November 2003 and January 2004 the offices of DGP and SPs of the districts confirmed between November 2003 and January 2004 the assessment of police cost at lower rates of ration subsidy and ration allowance.

<sup>4</sup> Coochbehar, Darjeeling, Hooghly, Howrah and South 24 Parganas.

<sup>5</sup> Coochbehar, Darjeeling, Howrah and South 24 Parganas.

- **Non-assessment of police cost**

The Commissioner of Police assessed the police cost for 64 organisations and raised the demand upto 1998-99 considering the accounting year from March 1998 to February 1999 and thereafter assessed the police cost from April 1999 to March 2000. Consequently the police cost for the month of March 1999 remained unassessed resulting in non-realisation of Government dues of Rs.1.05 crore.

In respect of two other organisations (Gardenreach Water Works of KMDA<sup>6</sup> and Visvabharati University) the demand for the police cost of Rs.92.00 lakh was not raised for the periods between July 2001 and March 2003 by the SP, South 24 Parganas resulting in its non-realisation

After this was pointed out between November 2003 and February 2004 the Commissioner of Police, Kolkata and the SP, South 24 Parganas accepted the audit observations in December 2003 and February 2004 and agreed to raise a demand of Rs.1.97 crore. Further reply has not been received (December 2004).

#### **8.2.12 Mistake in computation in raising demand**

Under the provisions of the Police Regulations of Bengal, a demand register reflecting the quantum of assessed dues, collection and outstanding dues, if any, is to be maintained by the Assessing Authority.

A statement showing demand of police cost of Rs.35.78 crore as on 31 March 2003 was forwarded to Eastern Railway by the office of the DGP. Scrutiny of the statement revealed that there were mistakes in computation since the total cost recoverable as on 31 March 2003 was Rs.42.96 crore instead of Rs 35.78 crore as shown in the statement resulting in short raising of demand of police cost of Rs.7.18 crore.

After this was pointed out in October 2003 the Police Directorate admitted in November 2003 the findings of audit. However, action taken to raise the revised demand has not yet been intimated (December 2004).

---

<sup>6</sup> Kolkata Metropolitan Development Authority.

### **8.2.13 Missing vehicles from police custody**

Three vehicles confiscated between December 2001 and October 2002 were sent to Central Malkhana section between April 2002 and February 2003 for disposal through auction as per provisions of the Calcutta Police Act. These vehicles were found missing from the police custody at Bantala Yard at the time of fixing reserve price by the Maintenance Superintendent, Transport Department, Government of West Bengal between February and October 2003.

The missing of the vehicles from the police custody projected the inefficiency of police authority to protect the seized vehicles and the system failure to place the vehicles in auction after expiry of six months from the date of confiscation.

After this was pointed out in November 2003 the local office admitted in November 2003 the fact of missing vehicles from the police custody.

The above points were reported to Government in May 2004; their reply has not been received (December 2004).

### **8.2.14 Conclusions and Recommendations**

The review has revealed lapses in assessment and collection of police cost as well as collection of Government dues by the Police Department as mentioned below:

- lack of effective persuasion of norms prescribed for claiming reimbursement cost from Central Government and the Railways;
- lack of control mechanism in regards to realisation of assessed dues as per control and demand register; and
- lack of control mechanism in following time limits in raising demand after assessment and non-specification of time limit for payment of police cost in demand notice.

The Government may consider the following recommendations for proper assessment and realisation of Government revenue:

- to take effective steps to obtain promptly 'audit certificate' from the State Accountant General in order to obtain reimbursement of police cost from Central Government Department and Railways;

- to introduce demand register by all the assessing authorities for correct accounting of outstanding dues and review thereof from time to time;
- to ensure proper maintenance of control register by the assessing authorities to keep vigil over assessment of all borrowing units and the recovery of outstanding dues; and
- to incorporate provisions in the Police Regulations of Bengal, 1943 for levy of interest and deterrent clauses for realisation of outstanding police cost to prevent accumulation of arrears

## **B. FOREST RECEIPTS**

### **8.3 Short realisation of price of timber**

According to the procedure for disposal of forest produce prescribed by the Government in January 1977, allotment, sale of timber to Government Undertakings and other wood-based industries are to be made on cash and carry basis at the rates fixed by the State Price Fixation Committee (SPFC). The work of harvesting of timber and disposal thereof are entrusted to the West Bengal Forest Development Corporation (WBFDC) from 1988-89. As per existing procedure, the WBFDC is required to pay operational charges at the prescribed rate to the forest division for extraction of timber as allotted by SPFC in favour of the Corporation and deposit the revenue after recovery of harvesting cost and related incidental charges at the rate of 10 per cent of net revenue.

Scrutiny of records of Divisional Forest Officer (DFO), Kurseong Division revealed in March 2003 that the Division handed over 3,363.734 cubic metres (cu.m) of different species of timber by way of allotment to Kurseong Logging Division, a unit of WBFDC between 1998-99 and 2000-01 instead of 2,907 cu.m of timber. Department failed to raise demand for excess timber handed over to WBFDC which resulted in short realisation of price by Rs.23.29 lakh calculated at the average allotment price of Rs.5,100 per cu.m fixed by SPFC.

After this was pointed out, the department raised demand of Rs.23.29 lakh in April 2004 for early payment.

The case was reported to Government in April 2003 followed by reminder issued upto July 2004; their reply has not been received (December 2004).

#### **8.4 Loss of interest due to delayed remittance of sale proceeds of timber**

Under the provisions of the West Bengal Financial Rules, all moneys received by, or on behalf of the Government either as dues by Government or for deposit, remittance or otherwise shall be brought into Government Account without delay. There is no provision for levy of interest for delay in remittance of money.

Scrutiny of records of four Divisional offices<sup>7</sup> revealed between December 2002 and August 2003 that WBFDC remitted net revenue of Rs.7.26 crore between October 2001 and March 2003 to the concerned DFOs on account of sale proceeds realised from timber auctioners between April 2001 and November 2002. Absence of provision for interest on delayed remittance of revenue of Rs.7.26 crore by two to 14 months resulted in potential loss of revenue of Rs.28.37 lakh calculated at different borrowing rates of interest varying between 8.25 per cent and nine per cent prevailing between 2001-02 and 2002-03.

After this was pointed out in audit, the concerned Divisional Forest Officers stated between December 2002 and August 2003 that in one case the matter was being taken up with higher authority while the other case was under scrutiny and in the remaining two cases, sale proceeds received from the auctioners were collected in instalments and royalty could not be remitted by WBFDC without obtaining entire money from the buyers. The reply is not tenable as whatever money was received should have been remitted into the Government Treasury without delay. Report on further development has not been received (December 2004).

All the cases were reported to Government between February and September 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

---

<sup>7</sup> DFO, Jalpaiguri, Deputy Field Director, Buxa Tiger Reserve (East), Deputy Field Director, Buxa Tiger Reserve (West) and DFO, Midnapore

---

**C. RECEIPTS FROM OTHER DEPARTMENTS**

**8.5 Non/short assessment of water rate**

Under the West Bengal Irrigation (Imposition of water rate for Damodar Valley Corporation Water) Act, 1958, occupiers of land receiving benefit of irrigation from the Damodar Valley Corporation canals in different crop seasons are required to pay water rates at the rate prescribed by Government from time to time. Assessment of water rates is made by the respective revenue division on receipt of test notes from the Engineering Divisions of the Irrigation and Waterways Department. According to the instructions issued by the department in June 1977, any difference between the area irrigated shown by the Works Divisions and assessment figure as show by the Revenue divisions should be reconciled by both the officers within a period of one month.

Scrutiny of records of the Revenue Officer, Damodar Irrigation Revenue Division No. I, Burdwan, revealed in March 2003 that no assessment of water-rates for Rabi and Boro crops for the years 2000-01 and 2001-02 was made inspite of receipt of 16 test notes from the Engineering Divisions in September 2002. Again in case of Kharif crop the total irrigated area as per test notes was 4.07 lakh acres during 2000-01 and 2001-02 but the assessment was made on 3.08 lakh acres, reason of which was neither stated nor reconciliation done with the records of the Engineering Division. This led to non/short assessment of Rs.48.35 lakh and consequent non/short realisation as detailed below:

| <i>(Rupees in lakh)</i> |                   |   |                 |  |                                     |                                    |
|-------------------------|-------------------|---|-----------------|--|-------------------------------------|------------------------------------|
| Assessment Year         | Irrigation Season | Area irrigated as per test notes (acre) | Rate (per acre) | Amount of water rate assessable and realisable | Amount of water rate assessed       | Non/short assessment of water rate |
| 2000-01 and 2001-02     | Rabi              | 40,488 *                                | Rs.20           | 8.10   | Nil                                 | 8.10                               |
| 2000-01 and 2001-02     | Boro              | 50,750 *                                | Rs50            | 25.38  | Nil                                 | 25.38                              |
| 2000-01 and 2001-02     | Kharif            | 4.06,840                                | Rs.15           | 61.03  | 46.16 (on 3,07,710 acre for 2 yrs.) | 14.87                              |
| <b>Total:</b>           |                   |   |                 |  |                                     | <b>48.35</b>                       |

After this was pointed out, the concerned Revenue Officer stated in March 2004 that steps were being taken to prepare assessment lists of Rabi and Boro crops


\* Calculation is based on the area of irrigation in 1995-96 when full assessment was made.



for 2000-01 and 2001-02 on the basis of test notes of 1995-96 and to pursue the Engineering Division for preparation of exhaustive list of irrigated plots for the year 2000-01 and 2001-02. In the case of Kharif crop, reconciliation of the area of irrigation had not yet been started due to non-receipt of detailed plot lists from the Engineering Division.


The cases were reported to Government in April 2003 followed by reminders issued upto July 2004; their reply has not been received (December 2004).

Kolkata,  
The **15 MAR 2005**

  
(S. Jafa)  
Accountant General (Local Bodies Audit)  
West Bengal

**Countersigned**

New Delhi,  
The **21 APR 2005**

  
(Vijayendra N. Kaul)  
Comptroller and Auditor General of India

**IX 538.1**