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Government of West Bengal

Report of the Comptroller
and Auditor-General of India
for the year 1972-73

Revenue Receipts (Civil)

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PREFATORY REMARKS

Hitherto audit of State receipts was confined to Sales Tax audit which was being conducted from July 1968 and the results thereof were included in a separate chapter in the Audit Report of earlier years.

With effect from 1972-73 the audit of other items of State receipts (except Agricultural Income Tax which was taken up in 1973-74) has also been taken up and the results of audit are being presented in a separate volume. The material in this Report has been arranged in the following order :—

- (i) Chapter I sets out the revenue position and the main heads of revenues, classifying them broadly under tax revenues and non-tax revenues. The variations between Budget estimates and the actuals in respect of major heads of revenue, and the position regarding arrears of revenue are discussed in this Chapter.
- (ii) Chapter II mentions points of interest which came to notice in the audit of Sales Tax, which is the largest single source of tax revenue of the State.
- (iii) Chapter III mentions points of interest which came to notice in the audit of Land Revenue.
- (iv) Chapter IV mentions points of interest which came to notice in the audit of taxes on vehicles.
- (v) Chapter V deals with other revenue receipts.

2. The points brought out in this Report are those which have come to notice during the course of test audit. They are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments concerned.

CHAPTER I

General

1. **Trend of Revenue:** The total proceeds from taxes for the year 1972-73, including the State's share of Central taxes, amounted to Rs.261.44 crores. In addition, Rs.35.03 crores from non-tax revenues and a sum of Rs.54.75 crores by way of grants-in-aid from the Central Government were received during the year. The tax and non-tax revenues during the four years from 1969-70 to 1972-73 were as under—

	(In crores of rupees.)			
	1969-70	1970-71	1971-72	1972-73.
A. Shares of Central taxes assigned to the State—				
1. IV Taxes on Income other than Agricultural Income.	27.37	33.88	43.56	46.15
2. V Estate Duty	0.52	0.64	0.57	0.82
3. LV Union Excise Duties ..	22.67	28.16	34.23	40.63
Total—1 to 3 ..	50.56	62.68	78.36	87.60
B. Taxes by the State of West Bengal—				
4. IV Agricultural Income-tax	1.58	1.08	0.92	1.01
5. IX Land Revenue [..	10.11	5.90	5.19	5.23
6. X State Excise Duties ..	16.08	17.08	18.44	18.90
7. XI Taxes on Vehicles ..	6.25	6.58	6.98	8.71
8. XII Sales Tax	63.31	67.93	74.18	91.24
9. XIII Other taxes and duties	21.18	22.83	30.81	37.41
10. XIV Stamp	7.75	7.73	8.05	9.48
11. XV Registration ..	1.56	1.70	1.47	1.86
Total—4 to 11 ..	127.82	130.83	146.04	173.84
C. Grants-in-aid from the Central Government	44.16	45.80	169.81	54.75
D. Departmental and other non-tax Receipts.	39.14	28.71	31.22	35.03
Total—A to D ..	261.68	268.02	425.43	351.22

The gross receipts during the year 1972-73 showed a decrease of Rs.74.21 crores, as compared with those of the preceding year 1971-72, mainly due to a reduction in the grants-in-aid received (Rs.115.06 crores) partly off-set by increased receipts of the share of Central taxes (Rs.9.24 crores), of taxes collected by the State (Rs.27.80 crores) and of departmental and other receipts (Rs.3.81 crores). During 1971-72, a much larger quantum of grants-in-aid had been received from the Central Government to finance the expenditure on the relief of refugees from Bangladesh prior to its liberation. The significant increases under the State taxes were under Sales Tax (Rs.17.06 crores) and "Other Taxes and Duties" (Rs.6.60 crores). The increased collection under Sales Tax was reported to be due to various legal and administrative measures taken during the year to check evasion of tax, ensure better collection of dues and increased disposal of assessment cases. However the rates of tax were also increased from August 1972 in respect of certain commodities with the expectation that the new levies would bring in an additional revenue of Rs.2.45 crores during that year. Further, the Sales Tax being based on the value of the goods sold, a sizable portion of the increase would automatically arise from the general increase in prices. The increased collections under "Other Taxes and Duties" were mainly from—

	(Rupees in crores.)
(1) Entry Tax	3.36
(2) Electricity Duty	2.98
(3) Entertainment Tax (including Betting Tax)	1.16
	<hr/> 7.50
<i>Less</i> —Short fall in other miscellaneous taxes	0.90
	<hr/> Total .. 6.60

Among the taxation measures adopted in 1972-73 were an enhancement in the rates of tax on cinema tickets and new levies on hotels and restaurants. The receipts from "Taxes on Vehicles" and "Stamps" were higher during the year by Rs.1.73 crores and Rs.1.43 crores, respectively; the rates of taxes in both the cases were increased during the year from 1st April 1972 and 1st November 1972, respectively, anticipating an extra revenue of Rs.100 lakhs and Rs.85 lakhs, respectively, during that year.

The receipts from Land Revenue, State Excise Duties, Agricultural Income Tax and Registration Fee have shown only marginal increases over the preceding year. The absence of any appreciable increase in the case of land revenue is particularly significant since the land rents, in the case of all holdings over 1.214 hectares had been increased to a level of thrice the rates of the preceding year in the case of irrigated lands, and twice in the case of other lands in addition to a surcharge levied at 10 per cent from 1st April 1972.

2. **Resource mobilisation:** The receipts collected by the State (by taxation, and by departmental and other receipts) compared to the receipts from the Central Government (as shares of Central taxes and grants-in-aid) during the four years ending 1972-73, are indicated below—

	(In crores of rupees.)			
	1969-70	1970-71	1971-72	1972-73
(1) Total revenue receipts of the State.	261.68	268.02	425.43	351.22
(2) Receipts collected by the State	166.96	159.54	177.26	208.87
(3) Receipts from Central Government.	94.72	108.48	248.17	142.35
(4) Percentage of (2) to (1) ..	63.8	69.5	41.7	59.5

The net borrowings of the State Government during these years from public compared to loans from Central Government were as under—

	(In crores of rupees.)			
	1969-70	1970-71	1971-72	1972-73
(1) Net Borrowings by State—				
(a) Permanent Debt ..	5.38	7.49	8.41	7.96
(b) Floating Debt ..	..	..	11.20	(-)11.15
(c) Others ..	0.95	0.67	3.62	2.86
Total—[(a) to (c).]	6.33	8.16	23.23	(-)0.33
(2) Net loans from Central Government.	15.81	59.01	25.93	109.33
(3) Total—(1 and 2) ..	22.14	67.17	49.16	109.00
(4) Percentage of (1) to (3) ..	29.0	12.0	47.2	..

Thus, during the period of four years from 1969-70 to 1972-73 covered by the Fourth Five-Year Plan, out of a total of Rs.1,554 crores received by the State Government from all sources (less repayments of loans), Rs.804 crores (51.7 per cent) were provided by the Central Government by way of share of taxes, grants and loans and the balance of Rs.750 crores (48.3 per cent) was mobilised by the State.

3. **Variation between the Budget estimates and the actuals:** (i) The actual receipts, compared to the Budget estimates, during the four years from 1969-70 to 1972-73, were as under:—

(In crores of rupees.)				
	Year	Budget	Actuals	Variation excess(+) / short-fall (-)
A. Taxes collected by the State ..	1969-70	112.81	127.82	(+)15.01
	1970-71	131.89	130.83	(-)1.06
	1971-72	141.68	146.04	(+)4.36
	1972-73	155.08	173.84	(+)18.76
B. Departmental and other receipts	1969-70	44.91	39.14	(-)5.77
	1970-71	44.67	28.71	(-)15.96
	1971-72	53.10	31.22	(-)21.88
	1972-73	44.50	35.03	(-)9.47

(ii) The details of the variations under the principal heads of revenue during 1972-73 are given below:—

(In crores of rupees.)				
	Budget Estimate	Actuals	Increase or short-fall	Percentage of variation
(1) Agricultural Income-tax ..	0.98	1.01	0.03	3.0
(2) Land Revenue ..	6.29	5.23	(-)1.06	(-)17.0
(3) State Excise Duties ..	18.03	18.90	0.87	4.8
(4) Taxes on vehicles ..	6.97	8.71	1.74	25.0
(5) Sales Tax ..	78.80	91.24	12.44	16.0
(6) Other taxes and duties ..	33.98	37.41	3.43	10.1
(7) Stamps ..	8.44	9.48	1.04	12.0
(8) Registration ..	1.59	1.86	0.27	16.0

The reasons for the variations over 10 per cent are as under—

Taxes on vehicles ..	..	Increase in receipts under the Indian Motor Vehicles Act and the State Motor Vehicles Taxation Act.
Sales Tax ..	..	Mainly due to increased receipts under State Sales Tax Acts.
Other Taxes and Duties ..	..	Increases under Entertainment Tax, taxes and duties on Electricity and increased receipts under Entry Tax.
Stamps ..	..	Increased sale of stamps.

The reasons for the variations in the case of Land Revenue and Registration are not available.

4. **Cost of collection:** The expenditure incurred by the State Government during 1972-73 on the collection of various taxes and the percentage of the cost of collection to the tax collected during the last three years, are given below:—

	(In lakhs of rupees.)		Percentage of cost of collection to gross collections		
	Gross collections	Expenditure on collection	1972-73	1971-72	1970-71
(1) Agricultural Income Tax.	101·00	11·52	11·4	12·0	9·5
(2) Land Revenue ..	523·24	758·50	145·0	140·0	108·3
(3) State Excise Duties ..	1,889·78	131·41	6·9	7·5	6·4
(4) Taxes on Vehicles ..	871·22	25·90	3·0	3·6	3·1
(5) Sales Tax ..	9,123·59	85·17	0·9	1·2	0·9
(6) Other taxes and duties	3,741·05	90·39	2·4	2·7	1·5
(7) Stamps and Registration.	1,134·61	118·92	10·5	13·0	12·0
Total ..	17,384·49	1,221·81	7·0	8·2	7·6

5. **Arrears of Revenue—(a) Sales Tax:** The arrears of tax pending realisation as on 31st March 1973 amounted to Rs.54.95 crores as indicated below—

	(In crores of rupees.)				
	Out-standing as on 1st April 1972	Fresh demand raised during the year	Amount collected	Amount remitted as a result of appeal, etc.	Balance out-standing as on 31st March 1973
(1) Bengal Finance (Sales Tax) Act, 1941.	28·74	13·75	3·74	3·17	35·58
(2) West Bengal Sales Tax Act, 1954.	1·03	0·75	0·11	0·06	1·61
(3) Central Sales Tax Act, 1956.	13·21	7·03	1·68	1·91	16·65
(4) Bengal Motor Spirit Taxation Act, 1941.	0·24	0·09	0·03	..	0·30
(5) Bengal Raw Jute Taxation Act, 1941.	1·06	..	..	0·25	0·81
Total ..	44·28	21·62	5·56	5·39	54·95

The increased outstandings at the end of the year 1972-73 were attributed to increase in the additional demand raised during the year due to the disposal of 16,000 more cases than in the previous year. The department stated (August 1974) that—

“A good part of arrear dues relate to dealers whose Registration Certificate has been cancelled, dealers who have gone into liquidation, dues covered by stay orders, etc. In a study of about 200 dealers with large arrear dues of Rs.1 lakh and above it was found that almost 75 per cent of the arrear dues referred to such cases.”

(b) Land Revenue: The outstanding balance of land revenue at the end of 1379 B.S. (1972-73) amounted to Rs.13.34 crores as indicated below—

(In crores of rupees.)						
			Balance at the end of 1378B.S.	Demand raised in 1379B.S.	Collection during the year	Balance out- standing at the end of 1379B.S.
Land Revenue	--	--	10.24	5.13	2.61	12.75
Cess	..	..	0.36	0.70	0.47	0.59
Total	..	--	10.60	5.82	3.08	13.34

(c) Agricultural Income-tax: The balance of tax remaining unrealised as on 31st March 1973 amounted to Rs.2.28 crores as under—

				Rs.
Balance as on 1st April 1972	..	..	..	2.04 Crores
Demands raised during the year	--	..	..	1.35 ..
			Total	3.39 ..
Collection made during the year	..	--	..	1.11 ..
Balance outstanding as on 31st March 1973	..	..	..	2.28 ..

Information regarding outstanding arrears of revenue in respect of the other heads was not furnished to audit (September 1974).

6. Arrears in assessments: The numbers of cases of assessment of sales tax, pending as on 31st March 1974 compared to the preceding year are as under—

			As on 31st March 1973	As on 31st March 1974
(1) Bengal Finance (Sales Tax) Act, 1941	..	..	78,184	76,426
(2) West Bengal Sales Tax Act, 1954	..	..	5,183	5,529
(3) Central Sales Tax Act, 1956	..	..	48,704	46,652
(4) Bengal Motor Spirit Taxation Act, 1941	..	..	2,689	2,628
(5) Bengal Raw Jute Taxation Act, 1941	..	..	171	153
(6) West Bengal Paddy Purchase Tax Act, 1970	..	..	285	658
			1,35,216	1,32,046
		Total ..	1,35,216	1,32,046

7. Comparative position of actual receipts under some principal heads relating to certain States: A statement showing the comparative figures of revenue receipts under some principal heads of revenue for the year 1972-73 in respect of certain States is shown in the Appendix to this report.

CHAPTER II

Sales Tax

8. Introductory: Taxes on the sales of goods inside the State are levied and collected under two Acts of the Legislature, Bengal Finance (Sales Tax) Act, 1941, and the West Bengal Sales Tax Act, 1954. While the former is the general sales tax law of the State levying a single point tax on the last sale from a registered dealer to an unregistered dealer or consumer and a multipoint tax at a small rate of half per cent on sales by one registered dealer to another, the latter Act takes out certain commodities (notified by Government from time to time) from the purview of the former Act and subjects them to a levy of tax at a single point at the first stage of sale by a manufacturer, producer or importer. Motor spirit, raw jute and paddy are not covered by either of the two enactments mentioned above but are subjected to taxation by separate Acts, Bengal Motor Spirit Taxation Act, 1941 (since repealed and replaced from 1st April 1974 by the West Bengal Motor Spirit Taxation Act, 1974), the Bengal Raw Jute Taxation Act, 1941, and the West Bengal Tax on Paddy purchased by Rice Mills Act, 1970. While in the case of Motor Spirit, the tax is levied on sales, in the case of Raw Jute and Paddy, the taxes are levied on purchases. Tax on inter-State sales are levied under the Central Sales Tax Act, 1956. The machinery available for assessment and collection of the tax under the Bengal Finance (Sales Tax) Act, 1941, is utilised for assessment and collection of the taxes under all the other enactments mentioned above.

9. Incorrect deductions from turnover: Sales tax is charged on the 'sale price' which is defined in the Bengal Finance (Sales Tax) Act, 1941, as the amount payable to a dealer as valuable consideration for the sale. This valuable consideration must necessarily include taxes and duties forming part of the sale price such as, excise or customs duty, etc. In three assessments for the years ending 31st March, 1966, 1967 and 1968 made between January 1970 and March 1972, deductions amounting respectively to Rs.69,71,595, Rs.5,08,857 and Rs.4,84,947 were allowed to an assessee company from the aggregate of sale prices for the three years towards customs duty recovered by the company from its customers as a part of the consideration for the sale of goods. A similar claim for the year ending 31st March 1969 was, however, disallowed by the assessing officer in February 1973. The incorrect deductions in the earlier years resulted in an under-assessment of tax to the extent of Rs.4,51,632 in the three years. The assessing officer agreed (August 1973) to take action in the matter after giving a hearing to the assessee. Further development of the case is awaited (September 1974).

(ii) In the same case it was noticed that similar wrong deductions of customs duties aggregating to Rs.96,71,080 were allowed during the preceding three years ending 31st March 1963, 1964 and 1965 assessed during the period from January 1967 to November 1968, resulting in under-assessment of tax amounting to Rs.4,60,586. Though this error in assessment

in respect of the assessment for the year ending 31st March 1963 had been pointed out by the Internal Audit in January 1968, the case was not reviewed nor was the error avoided in assessments made in subsequent years. Failure on the part of the department to rectify the mistake within the time limit of four years prescribed under the Act resulted in a loss of revenue of Rs.4,60,586.

The case was reported to Government in January 1974 and reply is awaited (September 1974).

10. Incorrect determination of taxable turnover: In the assessment for the calendar year 1964 made during 1968-69, a dealer claimed, and the assessing officer allowed, a deduction of Rs.2,66,616 from the turnover towards cost of certain goods sold by the dealer in November 1963 but actually paid for in 1964. While this amount was deducted from the taxable turnover in the year 1963, no corresponding addition was made in the turnover of 1964, resulting in an under-assessment of tax of Rs.26,662. The assessment order was revised at the instance of audit (November 1971) raising an additional tax demand of Rs.26,662. The assessee who was allowed to pay this amount in instalments of Rs.2,500 each, paid Rs. 17,500 up to October 1972. Information regarding recovery of the balance of Rs.9,162 is awaited (September 1974).

11. Incorrect exemption granted for sale of pump sets: In paragraph 4 of Chapter V of the Audit Report, 1971-72, mention was made of six cases of non-levy of tax on sales of pump sets on account of an incorrect order treating these as agricultural implements. Pump sets can actually be used both for agricultural and non-agricultural purposes and pump sets used to lift water from wells are not agricultural implements. Three more such cases involving under assessment of tax of Rs.1.83 lakhs came to notice during the year 1972-73. In the first case, relating to the year ending March 1971 the assessment order was passed in September 1972 with an under assessment of Rs.26,000 and in the remaining two cases relating to the years ending March 1967 and March 1968 the assessment orders were passed in October 1970 and March 1971, respectively, with under assessments aggregating to Rs.1.57 lakhs.

These cases were reported to Government in January 1974 and March 1974 and no reply has been received so far (September 1974).

12. Incorrect determination of turnover: In an assessment for the period ended 30th June 1963 made in June 1967, the gross turnover of a dealer was determined at Rs.48,74,456 on the basis of his returns and accounts produced by him. After allowing certain deductions, the tax payable by him was determined at Rs.1,19,218. This assessment was set aside by the Appellate Authority in June 1969 on the ground of some discrepancy in one of the deductions from the turnover allowed under section 5(2)(a)(ii) of the Bengal Finance (Sales Tax) Act, 1941, and the case was remanded for fresh assessment on that point. In the fresh assessment made in July 1970, the gross turnover was reduced to Rs.46,71,672, though neither the dealer had appealed against, nor had the Appellate Authority directed any

revision of, the gross turnover of Rs.48,74,456 previously determined, the dispute being only about some deduction from the gross turnover. No reasons were recorded for reducing the gross turnover by Rs.2,02,784. This resulted in an under-assessment of tax of Rs.11,448. The assessing authority had no jurisdiction to revise the figure of gross turnover in the absence of a specific direction to that effect by the Appellate Authority. The department admitted (November 1973) that—

“Ordinarily the figure of gross turnover at the time of original assessment and reassessment is not likely to be changed when both the assessments were made on examination of books and determination of turnover was not the subject matter of appeal.”

When this was pointed out in audit (March 1973) the State Government stated (December 1973) that the assessing officer had been asked to re-examine the records of the dealer to ascertain the correct figure of gross turnover and that a further report would follow. No further report had been received (September 1974).

13. Incorrect application of rate of tax: The rate of tax under the Central Sales Tax Act, 1956, had been increased to 3 per cent from 1st July 1966. But in an assessment made in December 1970 for the year ending 31st March 1967, turnover amounting to Rs.56,50,658 relating to a period after 30th June 1966 was taxed at 2 per cent. The resultant underassessment of tax after allowing certain deduction allowed under the law, amounted to Rs.26,647.

The matter was reported to Government in January 1974 but reply is awaited (September 1974).

14. Sales of containers not taxed: According to departmental instructions issued in June 1969 following a judgment of the Supreme Court, the assumed value of the containers even where the contents are exempt from tax, must be subjected to tax if there was an express or implied agreement for the sale of these containers along with the goods contained therein. Several instances came to notice of audit in which the value of tins and bags sold as containers of goods exempt from tax, had not been assessed to tax. The following are two such instances:—

- (i) In an assessment made in May 1971 for the year ending March 1970, the value of 1,03,981 tins sold as containers valued at Rs.3,11,943 for kerosene sold during the year had not been assessed to tax, resulting in non-levy of tax amounting to Rs.17,688.
- (ii) In another case of assessment for the year K.B. 2026 (1970) made in February 1972, 56,809 gunny bags valued at Rs.1,13,618 sold as containers of tax free goods were omitted to be taken into account for assessment, resulting in non-levy of tax amounting to Rs.6,442.

These two cases were reported to Government in August 1973 and January, 1974. No reply has been received (September 1974).

15. Mistakes in computations: (1) In an assessment made in March 1971 for the year ending 31st March 1967, a deduction of Rs.95,12,840 towards sales to registered dealers was allowed from the gross turnover, based on a statement of such sales filed by the dealer at the time of assessment, which showed the total as Rs.95,24,034, the balance of Rs.11,194 being disallowed. On actual verification, the total of this statement worked out to only Rs.91,94,034, thus resulting in an excess allowance of Rs.3,30,000. The under-assessment of tax on this account amounted to Rs.18,711.

(2) In another assessment made in the same charge in August 1970 for the period Kartick Bodi, 15, 2023 (1967), a similar deduction of Rs.4,92,586 was allowed based on the totals of a statement filed by the dealer, while the actual total of the statement was Rs.4,02,564. This excess allowance of Rs.90,022 resulted in an under-assessment of tax to the extent of Rs.5,104.

Both these cases were reported to Government in September 1973 and reply is awaited (September 1974).

16. Turnover escaping assessment: (i) In an assessment made in 1967-68 for four quarters ending 31st October 1963 sales of goods amounting to Rs.2,00,478 involved in the execution of repairs to motor vehicles and sales of some tyres were omitted to be taxed. On this being pointed out in audit, the assessment was revised in May 1971 and an additional demand of tax and penalty amounting to Rs.6,281 was raised against the dealer. The amount could not, however, be recovered from the dealer and audit was informed (April 1972) that the demand had been referred to the Certificate Officer for recovery. No further report has been received (September 1974).

(ii) While making an assessment in 1970-71 for the year ending March 1969, the assessing officer omitted to bring to tax a sale of old plant and machinery worth Rs.4,19,804 for which the dealer had realised sales tax from his customers. Under an amendment made to the law in November 1967 such casual sales by a dealer are to be included in his taxable turnover and assessed to tax. The loss of revenue on this account amounted to Rs.25,188.

(iii) In an assessment made during 1971-72 in respect of a dealer for the year ended 31st March 1968, sales amounting to Rs. 3,82,880 made by the dealer from his retail shop out of the stocks transferred from his wholesale business, were omitted to be taxed and taxation was restricted to his wholesale sales. The under-assessment of tax on this account amounted to Rs.21,709.

These cases were reported to Government in November 1972, August 1973 and September 1973. No reply has been received (September 1974).

17. Failure to check evasion of tax: A contractor supplying boulders to the P.W.D. was assessed in April 1966 for sales tax on these supplies, for the periods 1963-64 and 1964-65 and on determining the turnover for

both the years at Rs.1,00,000, a tax amounting to Rs.4,762 was realised. No action was taken either to register the contractor as a dealer or to assess him for the subsequent periods. In September 1969, it came to the notice of the department that the contractor received Rs.1,17,101 from one division of the P.W.D. during 1964-65. In August 1971, further information was received that he received Rs.16,73,293 from another Division during the years 1963-64 and 1964-65. Thus, as against an established turnover of Rs.17,90,394 during the two years, assessment was made only on a turnover of Rs.1,00,000. By the time the information from the P.W. Division was received (August 1971), the prescribed period of limitation of six years reckoned from the end of the year in respect of which assessment is made had expired and consequently the recovery of tax amounting to Rs.85,267 on the balance of turnover of Rs.16.90 lakhs became time-barred. The assessing officer had referred the case to higher authorities in December 1971 seeking instructions for further action in the matter which were awaited. The case was reported to Government in June 1973. No reply has been received (September 1974).

18. Loss of revenue: While making an assessment for the year 1966 in respect of a dealer, in December 1970, when the statutory limitation of four years was about to expire, the assessing officer noticed that the dealer had made a voluntary disclosure under the Income Tax Act and brought to account in 1966 an income of Rs.3,15,670, being the profits on sales admittedly concealed during the period 1960-64. Based on this disclosed income, the assessing officer estimated the suppression of sales at Rs.22,27,148 and taxed this amount. On appeal, this assessment was set aside (September 1971) with a direction to reassess the tax for the preceding years 1960 to 1964 by allocating the suppressed transactions to the respective years instead of taxing the entire amount in the year 1966. This could not however be done as by then the revision of the assessments for the years 1960 to 1963 had become barred by limitation. A reassessment in respect of the year 1964, is stated to have been made by a revision in September 1973 and a demand was then issued (December 1973) for additional tax amounting to Rs.2,32,982. The delay of four years in making the original assessment for the year 1966 thus resulted in non-recovery of tax on a large turnover relating to the years 1960 to 1963, admitted by the assessee as having been suppressed.

The case was reported to Government in September 1973 and no reply has been received (September 1974). However, in a reassessment for the year 1964 made by the assessing officer (December 1973), the addition of Rs.22,27,000 was again made to the gross turnover of the year on the ground that the dealer failed to appear and produce his books of account. The matter is pending in appeal (July 1974).

19. Omission to follow up cases of evasion of tax: On the basis of searches conducted during 1969-70 in the places of business of two un-registered dealers, and further investigations made in the matter, information was received by the department in August 1969 that these two dealers

had made purchases of salable goods amounting to Rs.7.31 lakhs during the period 1966-67 to 1967-68 in the first case and to Rs.8/24 lakhs during the period 1964-65 to 1966-67 in the second case. Reports on the results on these investigations were sent by the investigating officer on 6th November 1969 to the concerned assessing officer for initiating proceedings for determining the tax liabilities of the two dealers. No further action was taken in the matter to assess the tax due from the two dealers and also to investigate whether they continued in business beyond 1967-68 and 1966-67, respectively. The period of limitation of six years prescribed by law for making assessments for the period 1967-68 and 1966-67 expired in March 1974 and 1973, respectively and hence further action in the matter has become time-barred. The investigating officer stated (January 1973) that he had no responsibility in the matter after submitting the final investigation reports and the assessing officer stated (February 1973) that the relevant reports could not be traced.

On the basis of the figures of purchases of goods mentioned in the investigation reports, the amounts of tax due from the two dealers for the two periods would have been over Rs.78,000 and Rs.47,000, respectively.

The matter was reported to Government in May 1973. No reply has been received (September 1974).

20. Non-realisation of correct amount of sales tax on sale of timber, etc, by the Forest department: Sales of timber etc, by the Forest department are taxable under the Sales tax law at 6 per cent of the value but where the purchasers produce valid declarations in the prescribed forms at the time of taking delivery or subsequently that the goods purchased by them were for manufacture or resale, the tax to be collected by the Forest department on the sales may be reduced to 1 per cent and $\frac{1}{2}$ per cent, respectively. It was noticed in audit that the concessional rates of tax had been allowed in several cases without the purchasers producing the prescribed declarations and many of these cases were over two years old (January 1974). In two of the divisions alone the tax short realised in 242 such cases amounted to Rs.68,708.

The matter was reported to Government in March 1974. Reply is awaited (September 1974).

CHAPTER III

Land Revenue

21. **Introductory:** Land Revenue, the traditional source of revenue for a State Government, comprises the following items of receipts:—

- (1) Land rent collected from tenants of lands owned by, or vested with, the Government under the Estates Acquisition Act, 1953 and the West Bengal Land Reforms Act, 1955 as well as cesses collected, along with land revenue, under the Cess Act, 1880 and the Bengal (Rural) Primary Education Act, 1930.
- (2) Income from leases of *sairati* interests like fisheries, ferries, markets, etc.
- (3) Royalties received from coal and other minerals under leases and licences granted by the State under the Mines and Minerals (Regulation and Development) Act, 1957 and the rules framed thereunder.

The permanent settlement made in the eighteenth century was the original basis for land revenue collection in Bengal, and the Zamindars with whom the land was settled were liable to pay the land revenue to Government. This system was replaced by the West Bengal Estate Acquisition Act, 1953 according to which the actual cultivator became a direct tenant of the Government. Under the West Bengal Land Reforms Act, 1955 the cultivator has become the owner of land and is liable for payment of revenue to Government for each holding.

22. **Loss of revenue due to delay in taking possession of vested lands:** Under the provisions of the Estates Acquisition Act, 1953 all estates and rights of intermediaries, raiyats and under-raiyats (except certain lands, subject to ceilings prescribed in the Act, allowed to be retained by them as direct tenants of the State) vested in the State from 1362 B.S. (15th April 1955) in the case of intermediaries and 1363 B.S. (10th April 1956) in the case of raiyats and under-raiyats. In the case of Purulia district alone, the Act came into effect from 1st March 1964 and the properties in that district accordingly vested with the State from that date.

Considerable delays, ranging up to 18 years in some cases, were noticed in the taking over of actual possession of the properties by the State Government. It was estimated in June 1972 that out of 24.04 lakh acres vested in the Government under the provisions of the Act, 9.21 lakh acres constituted agricultural lands, the remaining 14.83 lakh acres being non-agricultural and forest lands, and that out of the agricultural lands, possession had been taken of only 6.84 lakh acres by the end of March 1972 with another 0.97 lakh acres being under court injunctions. The law provided for the recovery of Rs.10 per acre per annum as damage fees from the ex-intermediaries and others for the period they were in possession of

the lands after the date of vesting. In six of the districts, no systematic or prompt action was taken for the assessment and recovery of the damage fees leviable under the law and the total amount of such fees not realised amounted to Rs.81.01 lakhs in respect of 77,298 acres, for which information was available.

The matter was first brought to the notice of Government in June 1970 and it was stated by the department (April 1972) that steps were being taken for realisation of the outstanding amounts.

23. Outstanding rent from tea-garden owners: Lands comprised in tea gardens were also vested in the State with effect from April 15, 1955 under the West Bengal Estate Acquisition Act, 1953. Under the provisions of this law, the respective tea gardens were allowed to hold such lands as tenants on the basis of summary settlements to be made by the Collector specifying the terms and conditions thereof. Thereafter, the extent of vested lands that could be retained by tea gardens was to be determined and lease deeds executed specifying, *inter alia*, the rent finally payable from the date of vesting in respect of such lands. No time limit was prescribed for execution of the lease deeds.

Considerable delays occurred in determining the extent of lands retainable by the tea gardens and in entering into lease deeds with them after fixing the rents to be realised from them. The following table shows the progress in this respect during the 19 years that have elapsed (upto April 1974) from the date the lands were vested in the Government:—

	Jalpaiguri district	Darjeeling district	Total
(1) Total number of tea-gardens vested in the Government.	189	144	333
(2) Number of tea-gardens transferred from Bihar in August 1972.	..	3	3
(3) <i>Less</i> —Number of tea gardens closed in 1969 and proposed to be resumed by Government.	9	38	47
(4) Total	180	109	289
(5) Number of tea gardens (out of 4 above) in which the lands to be retained by the owners had been determined.	180	103	283
(6) Balance (4—5) .. .. .	..	6	6
(7) Number of tea gardens (out of 5 above) in which rents have been finally fixed and lease deeds executed.	84	34	118
(8) Balance (5—7)	96	69	165

It will thus be observed that even after 19 years in 6 out of 333 cases, the extent of lands to be allowed to be retained on lease by the tea gardens had not been determined and in 165 the rent recoverable has not been determined and lease deeds have not been executed so far (September 1974). The delay led to heavy accumulation of arrears in the collection of rents and such arrears amounted to Rs.2.66 crores as on 31st March 1974 as under:—

Sl. No.	District	No. of tea gardens	Amount of assessed rent as on 31st March 1974	Amount realised upto 31st March 1974	Out-standing as on 31st March 1974
(In lakhs of rupees)					
(1)	(2)	(3)	(4)	(5)	(6)
1.	Jalpaiguri ..	189	206.80	61.93	144.8]
2.	Darjeeling ..	144	130.00	8.98	121.02
		333	336.80	70.91	265.89

Certificate cases were instituted only in respect of 38 gardens in the district of Darjeeling upto March 1974 for the recovery of Rs.38.90 lakhs due from them. The position of certificate cases in respect of tea gardens in Jalpaiguri district was not available but it was stated by the department (April 1974) that Government had directed (December 1973) the withdrawal of the certificate cases in the case of tea gardens willing to execute the lease deeds after making necessary payments.

According to the Estates Acquisition Rules, arrear rent was realisable with interest at 6½ per cent. per annum. Government decided (December 1971) not to change interest as a concession to the tea industry, provided one year's arrear rent was paid along with current year's rent till the entire arrear rent was paid off, though there was no provision in the statutory rules for granting this concession. Tea gardens numbering 152 (117 gardens covered by lease deeds and 35 gardens of Jalpaiguri district under summary settlement) availed of this concession. The total amount of interest due from the above gardens and from other vested gardens was not ascertainable, as the related books of accounts were stated (April 1974) to be in the process of reconstruction.

24. Non-recovery of royalty for use of minor minerals: Under the provisions of the West Bengal Land Reforms Act, 1955, every raiyat is required to obtain a permit from the Government for allowing the use of earth or clay in his holding for manufacture of bricks, tiles, etc, and the person manufacturing them is required to execute lease deeds with Government and pay royalty to Government with effect from the 29th June, 1969 at rates prescribed in the West Bengal Mines and Minerals Rules, 1959,

read with Government of West Bengal notification No. 4695-Mines, dated 29th June 1969 ranging from Rs.1.50 to Rs. 2.50 per 100 cubic feet of brick earth. It was noticed in audit that no lease deeds had been executed by any of the manufacturers and no amounts had so far been realised as royalties from such brick manufacturers. In 30 out of 52 circles in one district alone for which information was available, there were 510 manufacturers of bricks and tiles and the royalty recoverable from 29th June 1969 upto 31st March 1973 on the basis of bricks manufactured worked out to about Rs.12 lakhs.

The matter was brought to the notice of Government in December 1973. No reply has been received so far (September 1974).

25. Non-recovery of increased rent: Under the provisions of West Bengal Non-agricultural Tenancy Act, 1949, rent at double the normal rate is recoverable whenever any agricultural land was converted into non-agricultural/homestead land. A review of such cases in one district disclosed that the increased rent had not been recovered in several such cases and in two circles of the district alone, over 11,500 acres of agricultural land had been converted to non-agricultural purposes during the period 1962 to 1968. The increased rent realisable but not recovered in these cases upto 31st March 1972 amounted to about Rs.9 lakhs. In four other cases in another circle of the District, 262.49 acres of agricultural land were converted years ago (actual date not available) and the rents had not been revised in accordance with the law so far (March 1974).

The matter was brought to the notice of Government in December 1973. No reply has been received (September 1974).

26. Loss due to non-presentation of claim in a case of land acquisition: Khas Mahal land to the extent of about 5 bighas belonging to Government was on a long-term lease to a tenant till 14th February 1988. In 1967, it was proposed to acquire about 3 bighas out of that land for the use of an Improvement Trust and a notice was received in June 1967 by the Collector of the district from the Land Acquisition Officer to file a claim for compensation. This was followed by five more notices to the same effect during the period April 1969 to May 1969. No action was taken to file any claim on this account, nor did any one appear from Government side before the Land Acquisition Officer to represent the interests of Government even when a notice was received in May 1969 that an award was going to be made in the case. The Land Acquisition Officer awarded in June 1969 a sum of Rs.4.78 lakhs to the lessee towards the value of the land and Rs.22,200 to the Government towards capitalised value of rent. While the lessee had drawn the amount in August 1969, Government had not yet drawn the amount (March 1973). In terms of the long-term lease, the lessee had to give up the land in case it was required by Government for any public purpose and was entitled to compensation only for any buildings or improvements effected by him on the land. The payment of Rs.4.78 lakhs to the tenant as compensation for the land was clearly not admissible

in terms of the lease and this loss occurred due to the omission to take appropriate action on behalf of Government in the land acquisition proceedings. According to a report made by the department in June 1971, an appeal against the award had become time-barred by then. However, the Additional Collector stated in March 1973 that if there had been any negligence responsibility would be fixed.

The case was reported to Government in December 1973. No reply has been received (September 1974).

27. Loss of revenue due to delay in entering into fresh lease or non-renewal of leases: (i) A piece of non-agricultural Khas Mahal land measuring about 3 bighas was settled on a temporary basis from 4th June 1948 at an annual rent of Rs.4,800. The land continued in the occupation of the lessee till 1963 when a notice to vacate the land by 1st October 1963 was issued followed by an eviction suit filed by Government. By a compromise arrived at in February 1967, the lessee was allowed to hold the land on the same terms and conditions till 5th February 1970, when the eviction was to become effective. No action was, however, taken (March 1973) to take possession of the land or to enter into a fresh lease with the tenant from 6th February 1970. The tenant continued to pay rent at the old rate up to March 1973. According to an estimate made by the department in 1973 the value of the land was about Rs.10 lakhs in 1970 and on this valuation, annual rent, according to the rules, came to Rs.40,000. As a result of delay in entering into a fresh lease, Government suffered a loss of rent of Rs.1.11 lakhs upto March 1973 and Rs.35,200 per annum thereafter.

(ii) Another piece of land measuring about 3 bighas was given on a lease of 30 years from 1st December 1907. The lease was thereafter renewed upto 30th November 1967 on a monthly rental of Rs.746.56 p. After the expiry of the lease the lessee applied for its renewal and though it had not been renewed, the lessee not only continued in occupation but also ceased to pay the rent from April 1967. According to a valuation of the property made by the department in June 1968, the annual rent was to be fixed at Rs.6,918. Though the lessee however refused to execute the fresh lease on this basis and continued not only to occupy the property but also to sublet it against the terms of the lease to six others, no action had been taken to evict him (March 1973). The loss of rent in this case from December 1967 to March 1973 amounted to Rs.36,896 at the annual rate of Rs.6,918.

28. Loss of revenue due to failure of the department to take possession of Khas Mahal land and to realise rent: (i) Eight plots of land measuring about 8.7 acres were leased to an individual from 1358 B.S. to 1363 B.S. (1951 to 1956) on a total rental of Rs.5,060 per annum. The leases were not extended when they expired in 1363 B.S. (1956) but the "holding over charge" at the same rate was realised upto 1366 B.S. (1959). Thereafter neither had the leases been extended nor the arrears of rent realised, though

the lessee offered in August 1966 to pay up the dues. The lessee had meanwhile expired in August 1968. The arrears of rent remaining unrealised upto March 1973 amounted to over Rs.55,000. The department stated (March 1973) that there was every possibility of recovering the arrears by instituting certificate cases but the matter was not pursued as the lessee had expired. It has not been stated why the lands were not taken possession of at least after the lessee expired in 1968 and resettled at rents based on the their current value.

(ii) 11.91 acres of Khas Muhal lands were leased to 125 persons for a period of 5 years ending 1367 B.S. (1960) at a total annual rent of Rs.3,115. The rent was collected up to 1367 B.S. but thereafter neither had the leases been renewed nor possession over the lands taken. The arrears of rent outstanding upto 1378 B.S. (1971 and 1972) amounted to Rs.34,269.

The cases mentioned above were reported to Government in December, 1973-January 1974. Reply is awaited (September 1974).

29. Outstanding dues from the lessee after the expiry of the lease: A fishery covering an area of about 498 acres was taken possession of in July 1963 from an ex-intermediary and leased to two individuals from November 1964 to December 1967 at an annual rental of Rs.65,199. The lessee defaulted in the payment of the lease amounts and certificate proceedings filed in July 1967 resulted only in a recovery of Rs.21,200 out of the dues amounting to Rs.90,544. When the lease expired, the lessees obtained a court injunction against the termination of the lease, but the injunction was subsequently vacated in August 1969 and possession was then taken over by Government. The lease rent amounting to Rs.1,03,232 which had accrued during the period the injunction was in force, had not been realised from the lessees, though no such relief was given to the lessee by court. No action has so far been taken to realise the amount (September 1974).

In August 1969, the fishery was handed over to the Fisheries Department for intensive pisciculture but that department relinquished it in January 1972 on the ground that the scheme had been abandoned. Thereafter, the area covered by the fishery was forcibly occupied by local people and about 363 acres out of the total of about 498 acres were stated (December 1971) to have been cultivated as agricultural land and a nominal rent of Rs.10 per acre per annum was levied on the occupants from 1378 B.S. (1971). The actual recoveries from the occupants amounted to only Rs.2,000 as against Rs.7,265 due on the above basis. The department stated (May 1973) that the question of distributing the land for agricultural purposes to local landless cultivators was under consideration.

The case was reported to the Government in December 1973. Reply is awaited (September 1974).

30. Omission to take possession of leasehold property after the expiry of lease and to realise arrear rent: A fishery covering an area of 20.28 acres was settled on a person in 1366 B.S. (1959) and 1367 B.S. (1960) at an annual rental of Rs.1,600 for the first year and Rs.2,145 for the second year. The lease was proposed to be transferred from 1368 B.S. (1961) to a co-operative society but owing to an interim injunction from a court, the proposal was not implemented. The previous lessee had paid the lease rent of Rs.2,145 per annum upto 1372 B.S. (1965-66). The injunction was vacated by the court in October 1969 but even thereafter, neither had the possession of the property been taken over from the ex-lessee nor any rent from 1373 B.S. recovered from him. The arrears of rent upto 1380 B.S. (1973-74) amounted to Rs.17,160.

The case was reported to Government in December 1973 but no reply has so far been received (September 1974).

31. Loss due to suspension of recovery of rent: A fishery which was under sub-lease by a person from an ex-intermediary, was taken over by Government in April 1955 on the vesting of the interests of the ex-intermediaries with Government under Estates Acquisition Act. As a result of a court order in September 1964 the sub-lessees became direct lessees of Government and rent amounting to Rs.2.58 lakhs was realised from the lessees for the period from April 1955 to March 1967. Recovery of interest amounting to Rs.88,502 on the arrears of rent has been kept pending by an order of the Board issued in January 1967. On a representation from some persons in March 1967 for distributing the land covered by the fisheries for cultivation, the Board of Revenue called for a report in April 1967 and also ordered suspension of the collection of rent. The report was sent to the Board in 1967, but no decision has been taken (March 1974) in the matter. As a result, recovery of rent and cesses amounting to about Rs.1.20 lakhs for the period up to April 1973 was pending in May 1973. The case was reported to Government in January 1974 but no reply has been received (September 1974).

CHAPTER IV

Taxes on vehicles

32. **Introductory:** The receipts under this head include fees for licences, permits, etc, collected by the State under the Indian Motor Vehicles Act, 1939, as well as the tax on motor vehicles levied under the Bengal Motor Vehicles Tax Act, 1932. While the assessment and collection of the fees and taxes under these two enactments are done by the Directorate of Public Vehicles under the Home (Transport) Department of the State Government in Calcutta and suburbs, the District Magistrates are responsible for the work in the other districts.

33. **Defective maintenance of primary records for watching recovery of tax:** The effective collection of taxes on motor vehicles depends upon a close and continuous watch being kept for ensuring prompt recovery of the taxes as and when they fall due. For this purpose the provisions of the West Bengal Motor Vehicles Tax Rules, 1957, require the maintenance of Registration Registers recording all particulars such as description, seating capacity, laden weight, names of owners, etc. and Tax Demand and Collection Registers recording the rates of tax payable, the particulars of collections of the tax, etc. A review by audit of these registers in Calcutta and in some of the districts, disclosed that adequate attention had not been paid to the correct and upto date maintenance of these registers and other documents, with the result that no check had been or could be exercised to ensure that all vehicles registered had been taxed regularly and that the taxes due in all cases had been collected. The following were some of the major defects noticed by audit:—

- (1) The columns in the registers showing the names, or the changes in the names, of owners and the basic data for determining the rate of tax leviable (such as seating capacity or registered laden weight, the rates of tax determined, etc.) had either been left blank or the entries made therein were incomplete and unattested.
- (2) Notings regarding removal or transfer of the vehicles from one jurisdiction to another had not been either made or if made, had not been attested.
- (3) No systematic record had been maintained of commercial vehicles registered in another State plying in a district to watch the realisation of taxes, validity of the permits, etc.
- (4) Many pages in the registers had been left blank without any reason being recorded, though they bear the registration numbers of vehicles.
- (5) The taxes realised had not been posted in the registers regularly with the result that correct information on arrears of tax due in each case was not available from the registers.

- (6) Where taxes were in arrears, there was no record in these registers of the action taken to recover them. For instance, in a particular series of heavy vehicles, public and private carriers, registered in Calcutta, over 100 cases were noticed in which tax had not been paid for several years past, some of them dating from 1956, 1958, etc., but the action taken to realise the tax had not been noted in any of these registers.
- (7) The rules require tax tokens in Form D, showing the period upto which the tax had been paid, to be displayed in the vehicles and these tokens have to be surrendered in lieu of fresh tokens at the time of payment of tax for the next period. It was observed that in several cases, the tax tokens had not been delivered to the owners of the vehicles though they had paid the tax. Therefore the vehicles might have been plying without displaying the tokens. Several cases were noticed where tax for subsequent periods was accepted without the tax token for the preceding period having been surrendered.

These defects in the maintenance of the initial records were brought to the notice of Government in November 1973 and again in March 1974. No reply, has been received from Government so far (September 1974) except an interim reply received in November 1973 saying that these lapses were being taken up with the Transport Commissioner. However, no steps have been taken so far (September 1974) to remedy these irregularities which, besides preventing audit from carrying out effective checks, are fraught with risk of loss of revenue.

34. Under-assessment of tax on vehicles due to incorrect application of rates, etc.—

- (1) In course of review of two out of 23 series (each series comprising of 9,999 vehicles) in Calcutta it was noticed that there were several cases of under-assessment of tax due to the enhanced rates of tax effective from August 1972 having not been enforced, mistakes in calculations, omission to verify the actual amount of tax due before accepting payments, etc. In 423 such cases relating to the years 1971-72 and 1972-73, the total under-assessment worked out to Rs.1.18 lakhs. The department admitted the under-assessments in these cases and stated (June 1973) that the amounts were being recovered from the owners of the vehicles. In one district, 60 such cases were noticed in which the total tax under-assessed up to 1972-73 amounted to about Rs.6,000. The report regarding the collection of these amounts is awaited in audit (September 1974).

35. Under-assessment due to incorrect determination of registered laden weight: According to the Motor Vehicles Rules, the Registering Authority can, in the absence of maker's documents, determine a registered

laden weight (RLW) equal to the unladen weight (ULW) of the vehicle plus 125 per cent or 150 per cent thereof, according as the vehicle is four-wheeled or six-wheeled. A review of some of the assessments of tax on the vehicles registered in the Calcutta region disclosed that in 15 cases, the RLW had not been determined in this manner and the tax had thus been underassessed to the extent of Rs.12,764 up to 31st March 1973. In 9 such cases noticed in a district, the under-assessments up to March 1973 amounted to Rs.9,821. In two more cases in that district, the RLW was reduced in June 1969 and October 1969, respectively, based on reduced unladen weights without recording any valid reasons for effecting such reductions, though the reductions involved an appreciable reduction in the tax in each case amounting to Rs.1,200 per annum in one case and about Rs.700 per annum in the other case. In another instance, the RLW of a vehicle was reduced from 30,468 lbs. to 24,375 lbs, on 2nd March 1970, but this order was cancelled a week later on 9th March 1970. In spite of this cancellation, the tax was levied as per the reduced RLW from March 1970, the reduction in the rate of tax being Rs.880 per annum.

These cases were reported to Government in September 1973, November 1973 and March 1974. No reply has been received (September 1974).

36. Loss of revenue due to under-assessment of tax on temporary permits: Vehicles registered in other States and brought to West Bengal for temporary use on temporary permits, are required to remit the tax leviable for the period of their stay before they enter the State, by means of bank drafts sent through the respective State authorities. The records relating to such vehicles, such as copies of the temporary permits, forwarding letters, etc., have not been maintained in a systematic manner and the amounts of tax received have not been subjected to a check with reference to the temporary permits. A review by audit (1972-73) disclosed that in 650 such cases received in 1971-72, the tax realisable for the period of stay of these vehicles in West Bengal had been underassessed to the extent of Rs.24,863.

The matter was brought to the notice of Government in September 1973 and March 1974. No reply has been received (September 1974).

37. Non-realisation of fees for certificate of fitness: Under the Motor Vehicles Act, public carriers must be in possession of certificate of fitness and under the Bengal Motor Vehicles Rules, the prescribed fees for renewal of these certificates have to be realised before the expiry of the current certificates. A review of the Registration Registers in the Calcutta region disclosed that in numerous cases there was no evidence of the fees having been realised in cases where they were due and in 243 such cases, the amount of fees due worked out to Rs.16,325.

The matter was reported to Government in September 1973 and March 1974. No reply has been received (September 1974).

38. Change of ownership accepted without realising tax-arrears:

In the matter of assessment of Motor Vehicle Taxation it has to be ensured that there is a proper co-ordination between collection of tax and registration of vehicles where the ownership changes as otherwise there would be a risk of loss of revenue by permitting changes of ownership before the sellers of the vehicles had cleared the tax dues. An instance came to light in Audit where in respect of a heavy motor vehicle tax was paid only up to March 1969, and the claim from exemption from tax on account of non-use was rejected in April 1969. Thus the owner of the vehicle was in arrears of tax, right from April 1969. Without paying these arrears of tax, he sold the vehicle in December 1970 to another person and the transfer was registered from 1st March 1971, the tax being realised only from that date. Under the law, when the owner of a vehicle was in arrears of tax, the registration of the vehicle could have been suspended by the taxing authority so that the transfer could not have been validly made.

39. Irregular acceptance of claims for non-payment of tax: (a) Under the provisions of Bengal Motor Vehicles Taxation Act, if a taxing officer is satisfied that a motor vehicle had not been used for any complete calendar month in a year, the tax assessed or due for that month may be refunded or waived. It was observed in audit that in several cases claims for waiver of tax for long periods were admitted without adequate scrutiny and without any record of verification of the claims to the satisfaction of the taxing officer. The following are a few instances:—

- (1) The tax token and other documents of a vehicle were surrendered by its owner in June 1967 on the ground that the vehicle was off the road for repairs. More than five years later, in July 1972, the vehicle was sold to another person, who applied for the transfer of ownership and also paid the tax from 1st July 1972. The tax due for the period July 1967 to June 1972, amounting to Rs.10,075 was waived by the taxing authority without verifying even once during the period whether the vehicle was actually off the road as claimed. The department stated (June 1973) "that tax was charged from only 1st July 1972 in consideration of the fact that the non-use of the vehicle was not reported by the new owner."
- (2) The owner of a vehicle claimed remission of tax from 1st February 1970 to 31st May 1970 on the ground that it was out of order. No further request was received from him but no tax was realised from 1st June 1970. In July 1970, though the vehicle was found 'idle' by the departmental inspecting officer there was no finding that it was unfit for the road. Over a year later, in August 1971 the vehicle was not found at the place where it was reported to have been kept but was stated to have been sent out for repairs. The remission of tax was extended upto 31st December 1971 without any request from the owner and

in the absence of any positive evidence that the vehicle was unfit for the road. The department stated (June 1973) that on a declaration by the owner in January 1972 that the vehicle was then ready for use, the remission in tax was allowed up to December 1971 as no evidence to the contrary was found. The tax foregone in this case amounted to Rs.2,425.

- (3) A vehicle, which was reported to be under repairs from 30th January 1971 was sold in March 1972 to another person, who applied for change of ownership and paid tax from 1st March 1972. Remission of the tax for the period February 1971 to February 1972 amounting to Rs.2,183 was provisionally allowed by the taxing officer in March 1972 pending receipt of an enquiry report. No such report was either called for or received. The department stated (June 1973) that the papers in this case were not available.

(b) Tax under the Act is payable in advance. In several cases it was noticed that claims for remission of tax, supported by surrender of documents, were accepted, though they were made long after the tax fell due and remission of tax allowed retrospectively. In eight such instances, the delays in preferring the claims ranged from one to six months.

In November 1973, Audit had taken up with Government that in several cases exemption from tax was being allowed without adequate proof having been obtained or verification having been made that the vehicles were really unfit for use, and that the verification very often took place long after the periods for which claims were made. Except for an interim reply (November 1973) saying that the matter was being taken up with the Transport Commissioner, no final reply has been received (September 1974).

40. Irregularities in realisation of cheques and drafts received in payment of tax: In a vehicle registration office, it was noticed that as on 31st March 1973, 50 cheques for a total sum of Rs.28,113 and 58 bank drafts for a total amount of Rs.8,337 received from private parties as payment of tax dues, were remaining uncashed for a long time. The year-wise details for these amounts are as shown below:—

Year	Cheques		Drafts	
	No.	Amount Rs.	No.	Amount Rs.
1969-70	5	2,325	15	1,412
1970-71	18	9,312	6	1,085
1971-72	12	4,304	4	526
1972-73	15	12,172	33	5,314
	<u>50</u>	<u>28,113</u>	<u>58</u>	<u>8,337</u>

The cheques represent those that were dishonoured on presentation and the department stated (July 1973) that most of these cases related to private parties whose whereabouts were not known but that necessary action had been taken for realisation of the amount. The bank drafts represent those which had not been presented within the period of their validity and in many of the cases, efforts to get them revalidated could not succeed. It is likely that a major portion of this Rs.36,450 will turn out to be a loss.

Audit also noticed in that office that no systematic record had been kept of the receipts of these cheques and drafts and in some of the cases, even the names of the parties from whom they were received were not available. There were inordinate delays in depositing these cheques and drafts in the bank for credit to Government, the delays ranging from six months to two years in most of the cases. For instance, bank drafts for a total sum of Rs.2.80 lakhs received during the period October 1969 to June 1971 were deposited only in December 1971.

The matter was brought to the notice of Government in September 1973 and March 1974. No reply has been received (September 1974).

CHAPTER V

Other Revenue Receipts

This chapter covers the results of audit of receipts of State Excise, Amusement Tax and the receipts of the Forest Department.

Section A—State Excise

41. Introductory: The receipts under this head comprise mainly duty and licence and permit fees levied on the production, possession, transport, purchase and sale of intoxicating liquors as well as sale price including duty and licence fees on opium and other drugs. The duties and licence fees are levied under the following enactments and the rules framed thereunder:—

- (1) Bengal Opium Act, 1878.
- (2) Bengal Excise Act, 1909.
- (3) Dangerous Drugs Act, 1930.
- (4) Bengal Opium Smoking Act, 1932.
- (5) West Bengal Molasses Control Act, 1949.
- (6) Medicinal and Toilet preparations, (Excise Duties) Act, 1956.

42. Loss of Molasses in transit and resultant loss of duty therefrom: Molasses, for production of spirits is imported from other States on the basis of permits issued by the Commissioner of Excise, West Bengal, who is ex-officio Controller of Molasses, West Bengal, under the provisions of the Molasses Control Act, 1949. Although transit losses of molasses have been provided for, there is no provision in the departmental Manual or in the Molasses Control Act, 1949, laying down the admissible limits for the loss of molasses in transit or otherwise. It was seen from the Stock account of molasses maintained by one of the distilleries that there were large discrepancies between the quantities noted in the railway receipts (5,048 MT) and the quantities actually received (4,534 MT), the short receipt amounting to a total of 514 metric tonnes during the year 1972-73. No standard or ratio of production of alcohol in proportion to the molasses consumed had been laid down in the departmental manual. It was ascertained from the authorities of the distillery, that the rate of production of spirit from molasses varied owing to varying percentages of sugar contents in molasses consumed but that the average yield of alcohol would be 210 L.P. litre per metric tonne of molasses. Accordingly, 514 metric tonnes of molasses could have produced about 107940 L.P. litres of spirits and duty payable on such a quantity would have amounted to Rs.22.67 lakhs.

A similar loss of 403.9 metric tonnes of molasses out of 4342.6 M.T. despatched as per railway receipt was also noticed in the accounts of another distillery during the period August 1972 to March 1973. On the

basis of monthly production statement of that distillery during the year 1972-73, the rate of production of spirits varied from 326 to 290 L.P. litres on an average per metric tonne of molasses. The Government thus suffered loss of duty amounting to about Rs.24.60 lakhs on this account.

These cases were brought to the notice of Government in December 1973. No reply has been received (September 1974).

Section B—Amusement Tax

43. Introductory: Amusement tax is levied under the Bengal Amusement Tax Act, 1922, on all entertainments including exhibitions, cinemas, performances and games or sports to which persons are admitted on payment. The same Act also levies taxes on betting and totalisators in racing clubs. While the tax on cinema shows is collected by requiring the tickets for admission to be affixed with stamps of appropriate denomination, the taxes in respect of other entertainments are collected in cash. The assessment and collection of the tax are carried out by the District Magistrates of the respective districts including Calcutta.

44. Non-recovery of "show tax": By an amendment to the Bengal Amusement Tax Act, 1922, made in February 1968, and re-enacted in October 1969, a show tax, separately recoverable from the proprietors of cinemas, was levied with effect from 11th March 1968 calculated on the basis of number of persons admitted to the cinemas in each show. A review by audit of the assessments made during 1972 in the Calcutta area disclosed that in one case, the tax had not been recovered from the date the levy came into force, viz., March 1968, the arrears amounting to Rs.54,318 upto December 1972 and in 13 other cases, the collection of the tax amounting to Rs.56,439 was in arrears ranging from 2 to 9 months. The department stated (February 1973) that repeated efforts were made to recover the arrear dues from the defaulters and that the orders of Government sought in April 1971 for taking penal action against the defaulters were awaited.

The case was reported to Government in October 1973. No reply has been received so far (September 1974).

45. Exemption from levy of tax: Under the provisions of the Amusement Tax Act, exemptions from the levy of tax may be allowed under certain conditions and in addition Government is empowered to grant general or special exemptions in any case. On a review of the cases in which conditional exemptions were granted by Government during 1971-72 in the Calcutta region, it was observed that in most of the cases the organisers had not submitted their accounts and other evidence even after more than a year, to prove that the conditions prescribed in the law had been fulfilled by them. In 17 such cases the amount of tax foregone worked out to Rs.28,608. On this being pointed out the department stated (February 1973) that repeated reminders had been issued to the

parties concerned to submit the statements of accounts, except in one of the cases, which had since been closed. None of the defaulting parties were however called upon to pay the tax due for non-fulfilment of the conditions governing the exemption from tax.

Section C—Forest receipts

46. **Introductory:** The forest receipts comprise non-tax revenue arising mainly out of sale of forest produce, fees for licenses, etc.

47. **Loss of revenue in a sale contract:** In October 1969, Government issued orders that, as several complaints were received about the sale of forest produce to paper mills, match factories, etc., at rates not in conformity with market rates, all cases of allotment of forest produce to the mills or factories otherwise than on the basis of open tenders or auctions should be referred to Government for approval before agreements for sale were executed. In November 1969, Government further directed that the schedule of rates for sale of forest produce should be revised as frequently as necessary but at least once in two years to bring it in conformity with the market rates.

An agreement with a match factory for supply of matchwood from the forest divisions in a circle became due for renewal from 1st April 1970 and it was renewed in June 1970 for a further period of 5 years from 1st April 1970 on the old terms and conditions, without referring the case to Government and obtaining their prior approval. The renewed agreement provided for supply of 5,660 cubic metres of timber per annum at Rs.33.54 per cubic metre, a rate fixed in the previous agreement, though the market price of matchwood had increased meanwhile. The increase in market rates necessitated an upward revision of the schedule of rates by Rs.10 per cubic metre and this was adopted in November 1970. Had the lease taken into account the increase in market price, the Government could have benefitted during the period of contract to the extent of Rs.2.83 lakhs, based on the schedule of rates of November 1970.

The matter was reported to Government in July 1971 but no final reply had been received so far (September 1974).

In another division, 5,695 tonnes of pulpwood were supplied to a paper mill during the years 1970-71 to 1972-73 at Rs.17 and Rs.12 per metric tonne, for two types of pulpwood which were considerably lower than the rates fixed in the schedule of rates of November 1970 (Rs.21.43) and the average auction rate (Rs.26.80). Prior approval of Government required to be taken under the orders of Government issued in October 1969 was not taken before entering into an agreement with the paper mill in 1970. The loss to Government on these sales amounted to over Rs.78,000.

The case was reported to Government in September 1973. No reply has been received (September 1974).

48. **Loss in the sale of right to collect Kendu leaves:** Tenders for the right of collection of Kendu leaves from a forest division for the period 1st September 1970 to 31st July 1973 were invited in September 1970. The highest three offers were for Rs.1,55,555, Rs.1,23,636 and Rs.1,11,111, respectively, but none of these offers could be accepted by the department as the tenderezs did not agree to the stipulation that the entire amount of offer should be deposited in a single instalment within a specified date. No information was available as to why such a stipulation was made in this case, when generally tenders involving sales of forest produce exceeding Rs.5,000 in value used to provide for payment in convenient instalments. The matter was referred for legal opinion and based on the opinion received in January-March 1971, it was decided to reject all the tenders received earlier and invite fresh tenders with a stipulation for payment of the bid amounts in three instalments. Tenders were again invited in April 1971 for the period 1st May to 15th July 1971 alone and the highest bid for Rs.6,666 was accepted in May 1971. The right of collection for the period 1971-72 (after 15th July 1971) to 1973-74 was auctioned in September 1971 for a total sum of Rs.41,500. Thus, as against the highest offer of Rs.1,55,555 received in September 1970 for the entire period up to July 1973 only a total sum of Rs.48,166 could be realised for the period up to March 1974.

(The matter was reported to Government in November 1973. No reply has been received (September 1974).

T. B. Nagarajan

(T. B. NAGARAJAN)

Accountant General, West Bengal.

CALCUTTA.

The 30th Nov. 1974.

Countersigned

A. Baksi

(A. BAKSI)

Comptroller and Auditor-General of India.

NEW DELHI,

The 30th Nov. 1974.

APPENDIX

Statement showing the comparative position of collections during 1972-73

(Figures in crores of rupees.)

Name of the State	Total tax revenue	Sales Tax	Taxes on Vehicles	State Excise Duties	Land Revenue	Agri- cu tural Income- tax
(1) West Bengal	.. 173.84	91.24	8.71	18.90	5.23	1.01
(2) Maharashtra	.. 302.67	174.66	16.33	10.12	10.25	(-)0.14
(3) Tamil Nadu	.. 222.48	114.02	26.15	39.15	3.68	2.18
(4) Karnataka	.. 130.96	58.01	11.16	29.65	5.42	2.09
(5) Andhra Pradesh	.. 130.72	54.69	15.83	34.19	11.26	..