

ERRATA

Report of the Comptroller and Auditor General of India for the year
1974-75—Revenue Receipts—Government of Uttar Pradesh

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1	2.(a)	Item III, under column 1972-73	.78.79*	5,78.79*
3	3.(a)	Column 4, 2nd figure	+ 4.46	+ 45.46
5	3.(b)	Item 6	+ 21.50	+ 24.50
5	3.(b)	Item 8	2.22	+ 2.22
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REPORT

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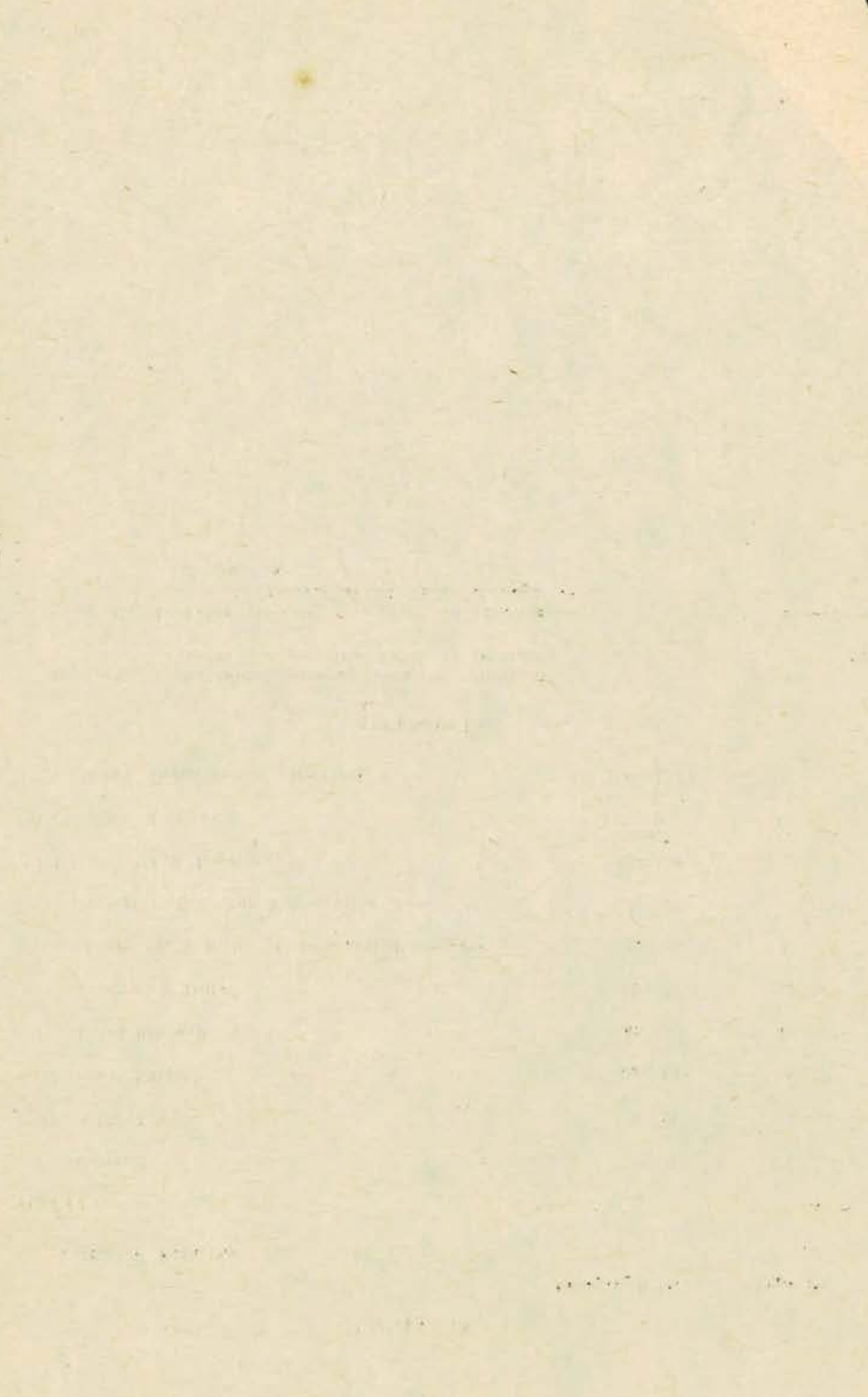
Comptroller & Auditor General of India
for the year 1974-75

Revenue Receipts

Government of Uttar Pradesh

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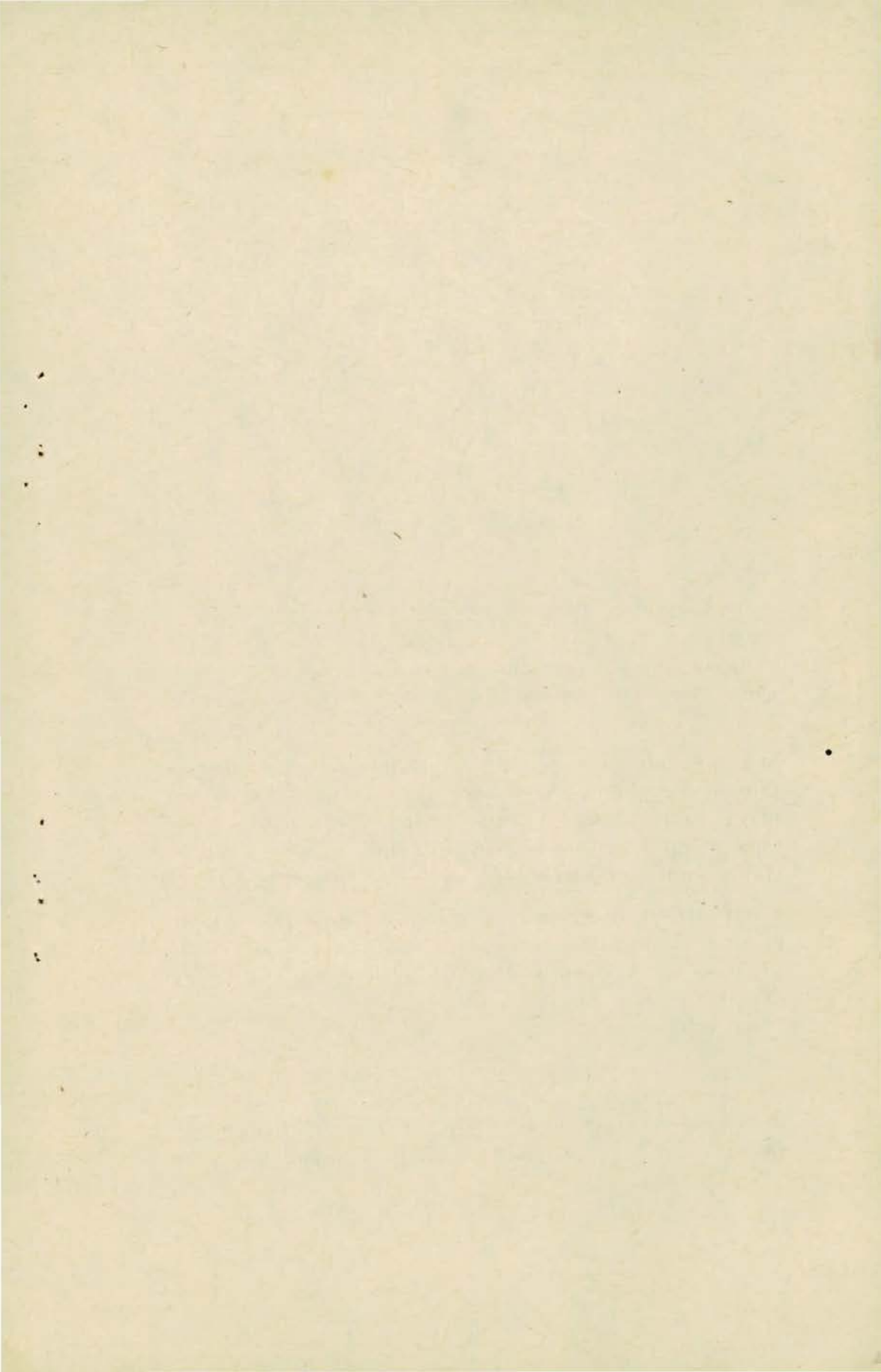
PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Uttar Pradesh for the year 1974-75 is presented in a separate volume as was done last year. The material in the Report has been arranged in the following order:—

(i) Chapter I deals with trends of revenue receipts classifying them broadly under tax revenue and non-tax revenue. The variation between Budget estimates and actuals in respect of principal heads of revenue and the position of arrears of revenue, etc., are also discussed in this chapter.

(ii) Chapters II to X set out certain cases and points of interest which came to notice during the audit of Sales Tax, State Excise, Land Revenue, Electricity Duty, Taxes on Vehicles, Goods and Passengers, Stamp Duties and Registration Fees and Other Tax Receipts and Non-Tax Receipts.

2. The cases mentioned in this Report are those which came to notice in the course of test audit. The points brought out in this Report are not intended to convey any general reflection on the financial administration of the departments/authorities concerned.



CHAPTER I

GENERAL

Trend of Revenue Receipts

1. The total receipts of the Government of Uttar Pradesh for the year 1974-75 were Rs.7.17-20 crores against the anticipated receipts of Rs.6.82-75 crores. The total receipts realised during the year registered an increase by 24 per cent over those in 1972-73 (Rs.5.78.79* crores) and 7 per cent over those in 1973-74 (Rs.6.67-19* crores). Of the total receipts of Rs.7.17-20 crores, receipts raised by the State Government amounted to Rs.4.33-08 crores of which Rs.2.76-03 crores represented tax revenue and the balance Rs.1.57-05 crores, non-tax revenue. Receipts from the Government of India amounted to Rs.2.84-12 crores.

Analysis of Revenue Receipts

2. (a) An analysis of the receipts during 1974-75 along with the corresponding figures for the preceding two years is given below:—

	(In crores of rupees)		
	1972-73	1973-74	1974-75
I. Revenue raised by the State Government—			
(a) Tax revenue ..	1,77.90	2,25.61	2,76.03
(b) Non-tax revenue ..	1,40.99*	1,54.53*	1,57.05
Total ..	3,18.89*	3,80.14*	4,33.08
II. Receipts from Government of India—			
(a) States' share of divisible Union taxes—	1,76.36	1,93.65	1,97.23
(b) Grants-in-aid ..	83.54	93.40	86.89
Total ..	2,59.90	2,87.05	2,84.12
III. Total receipts of the State (I+II)	5,78.79*	6,67.19*	7,17.20
IV. Percentage of I to III ..	55	57	

*These figures are as per recasting of the figures for 1972-73 and 1973-74 to the new classification introduced from the year 1974-75.

Thus, the State raised about 60 per cent of its total revenue receipts during 1974-75 while 40 per cent approximately came from the Union Government.

(b) *Tax revenue raised by the State*

Receipts from tax revenue constituted 64 per cent of the State's own revenue receipts during 1974-75. An analysis of tax revenue for the year 1974-75 and for the preceding two years is given below:—

	Receipts during			(+) Increase or (-) decrease with reference to
	1972-73	1973-74	1974-75	reference to 1973-74
	(In crores of rupees)			
1. Taxes on Agricultural Income	0.12	0.12	0.03	-0.09
2. Other Taxes on Income and Expenditure (a)	0.75	0.59	0.16	-0.43
3. Land Revenue ..	9.97	24.99	31.11	+6.12
4. Stamps and Registration Fees	14.80	20.51	27.65	+7.14
5. Taxes on Immovable Property other than Agricultural Land (a)	0.12	0.17	0.02	-0.15
6. State Excise ..	30.89	36.57	38.96	+2.39
7. Sales Tax (b) ..	86.80	1,01.18	1,35.42	+34.24
8. Taxes on Vehicles ..	10.26	11.69	13.42	+1.73
9. Taxes on Goods and Passengers (a)	8.69	13.22	14.26	+1.04
10. Taxes and Duties on Electricity (a)	5.29	4.22	2.09	-2.13
11. Other Taxes and Duties on Commodities and Services (a)	10.21	12.35	12.91	+0.56
Total ..	1,77.90	2,25.61	2,76.03	+50.42

(c) *Non-tax revenue of the State*

Interest Receipts, Public Works, Forest, Industries, Irrigation, Navigation, Drainage and Flood Control Projects were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue constituted about 36 per cent of the revenue raised by the State during 1974-75. An

(a) Shown under 'Other Taxes and Duties' upto 1973-74.

(b) Includes also 'Receipts under the U. P. Sugarcane (Regulation of Supply and Purchase) Act, 1953' and 'Taxes on Sale of Motor Spirit', shown under 'Other Taxes and Duties' upto 1973-74.

analysis of non-tax revenue under the principal heads for the year 1974-75 and the preceding two years is given below :—

	Receipts during			(+)Increase or (-)decrease with refer- ence to 1973-74
	1972-73	1973-74	1974-75	
(In crores of rupees)				
1. Interest Receipts	53.24	60.04	34.98	-25.06
2. Public Works	2.29	2.47	2.36	-0.11
3. Forest	24.66	27.37	17.83	-9.54
4. Industries	1.02	1.22	1.60	+0.38
5. Irrigation, Navigation, Drainage and Flood Control Projects	13.82	16.85	14.62	-2.23
6. Others	45.96	46.58	85.66	+39.08
Total	1,40.99	1,54.53	1,57.05	+2.52

Variations between Budget estimates and actuals

3. (a) The comparative figures of variation between Budget estimates and actuals of tax revenue and non-tax revenue during the three years ending 1974-75 are given below:—

	Year	Budget estimates	Actuals	Variations (+)Increase/ (-)decrease	Percentage of variation
	1	2	3	4	5
(In crores of rupees)					
A. Tax Revenue	1972-73	1,49.13	1,77.90	+28.77	19
	1973-74	1,80.15	2,25.61	+45.46	25
	1974-75	2,23.89	2,76.03	+52.14	23
B. Non-tax Revenue	1972-73	1,29.36	1,40.99	+11.63	9
	1973-74	1,51.11	1,54.53	+3.42	2
	1974-75	1,77.70	1,57.05	-20.65	12

NOTE—The figures for 1972-73 and 1973-74 are as per new classification of accounts.

(b) The break-up of the variations under the principal heads of revenue is given below:—

Heads of revenue	Year	Budget estimates	Actuals	Variations (+)Increase/ (-)shortfall	Percentage of variation
		(In crores of rupees)			
1	2	3	4	5	6
1. Other Taxes on Income and Expenditure	1972-73	0.50	0.75	+0.25	50
	1973-74	0.46	0.59	+0.13	28
	1974-75	0.44	0.16	-0.28	64
2. Land Revenue	1972-73	8.65	9.97	+1.32	15
	1973-74	20.23	24.99	+4.76	24
	1974-75	22.91	31.11	+8.20	36
3. Stamps and Registration Fees	1972-73	16.46	14.80	-1.66	10
	1973-74	15.53	20.51	+4.98	32
	1974-75	18.50	27.65	+9.15	49
4. Taxes on Immovable Property other than Agricultural Land	1972-73	0.15	0.12	-0.03	20
	1973-74	0.15	0.17	+0.02	13
	1974-75	0.12	0.02	-0.10	83
5. State Excise	1972-73	23.29	30.89	+7.60	33
	1973-74	27.69	36.57	+8.88	32
	1974-75	32.36	38.96	+6.60	20
6. Sales Tax	1972-73	68.60	86.80	+18.20	27
	1973-74	81.31	1,01.18	+19.87	24
	1974-75	1,10.92	1,35.42	+24.50	22
7. Taxes on Vehicles	1972-73	9.29	10.26	+0.97	10
	1973-74	10.28	11.69	+1.41	14
	1974-75	11.09	13.42	+2.33	21
8. Taxes on Goods and Passengers	1972-73	10.39	8.69	-1.70	16
	1973-74	10.59	13.22	+2.63	25
	1974-75	12.04	14.26	+2.22	18
9. Taxes and Duties on Electricity	1972-73	2.67	5.29	+2.62	98
	1973-74	4.30	4.22	-0.08	2
	1974-75	3.46	2.09	-1.37	40
10. Other Taxes and Duties on Commodities and Services	1972-73	8.98	10.21	+1.23	14
	1973-74	9.50	12.35	+2.85	30
	1974-75	12.05	12.91	+0.86	7
11. Forest	1972-73	21.32	24.66	+3.34	16
	1973-74	24.16	27.37	+3.21	13
	1974-75	26.34	17.83	-8.51	32

Variation between Budget estimates and actuals for 1974-75 in respect of all principal sources except "Other Taxes and Duties on Commodities and Services" (7 per cent) ranged between 18 per cent and 83 per cent. Reasons for variations, as reported by the State Government, are given below:—

Principal Source	Variation		Reasons
	(+) Increase	(-) shortfall	
	<i>(In crores of rupees)</i>		
1. Other Taxes on Income and Expenditure	-0.28		income under this head accrues from the finalisation of the pending cases of Taxes on Profession, Trade, Callings and Employment. Shortfall was due to finalisation of lesser number of cases than anticipated.
2. Land Revenue	+8.20		More realisation of arrears because of better crops and withdrawal from 1st July 1974 of exemption from payment of land revenue on holdings of 6½ acres and less.
3. Stamps and Registration Fees	+9.15		More receipts due to increase in the rates of stamp duty and larger sale of non-judicial stamps.
4. Taxes on Immovable Property other than Agricultural Land	-0.10		Less realisation of arrears of Bhumi Bhavan Kat than anticipated.
5. State Excise	+6.60		More receipts mainly due to increased consumption of country spirit.
6. Sales Tax	+24.50		More receipts due to special drive launched for realisation of sales tax and increase in the rates of taxes on the purchase of sugarcane and sale of motor spirit
7. Taxes on Vehicles	+2.33		More receipts due to increase in the number of motor vehicles and in the rates of the taxes.
8. Taxes on Goods and Passengers	+2.22		More receipts due to increase in traffic.
9. Taxes and Duties on Electricity	-1.37		Less receipts due to restrictions imposed on the consumption of electricity.
10. Forest	-8.51		Less receipts due to lesser sale of timber and other forest produce to consumers and/or purchasers.

Arrears in assessment

SALES TAX

4. (a) The number of assessments finalised by the Sales Tax Department and the assessments pending finalisation at the end of 31st March as reported by the department are indicated below:—

Year	Number of assessments for disposal			
	Arrear cases	Current cases	Remand cases	Total
(1)	(2)	(3)	(4)	(5)
1973-74	3,33,709	1,81,249	18,846	5,33,804
1974-75	3,74,183(a)	1,93,300	19,099	5,86,582
Number of assessments completed				Number of assessments pending at the end of the year
Arrear cases	Current cases	Remand cases	Total	
(6)	(7)	(8)	(9)	(10)
1,66,110	42,059	8,755	2,16,924	3,16,880(a)
1,89,441	31,882	8,887	2,30,210	3,56,372

The disposal of assessment cases (arrear and current) during the years 1973-74 and 1974-75 with reference to the assessment years to which they pertained was as follows:—

Year ended 31st March	Assessment year to which assessment pertained	Number of cases disposed of	Percentage of the total disposal
1974	1968-69	21,213	10
	1969-70	64,755	
	1970-71	39,679	
	1971-72	40,463	
	1972-73	42,059	
	Total	2,08,169	
1975	1969-70	23,491	11
	1970-71	78,646	
	1971-72	42,396	
	1972-73	44,908	
	1973-74	31,882	
	Total	2,21,323	

(a) Increase of 57,303 cases in the opening balance of 1974-75 as compared with the closing balance of 1973-74, is due to inclusion of certain cases as a result of scrutiny of records.

(b) Represents cases which were to be barred by limitation after 31st March 1974 and 31st March 1975.

The assessments done during the year ended 31st March 1974 and 1975 in respect of cases which would be time barred after the particular year were 41 per cent and 46 per cent respectively.

The number of assessments completed in the month of March during 1973-74 and 1974-75 was 44,160 and 51,335 which constituted 21 per cent and 23 per cent of the total number of assessments (arrear and current cases) done during the years 1973-74 and 1974-75 respectively.

The following is the year-wise break-up of the pending cases :—

Year		
Upto	1971-72	83,047
	1272-73	1,01,695
	1973-74	1,61,418
	Cases remanded by courts for re-assessment	10,212
Total		3,56,372

(b) The following tables show the progress of Appeal and Revision cases (Sales Tax) during the last three years:—

Progress of Appeal cases

Year	Arrear cases	Current cases	Total	Number of cases decided	Number of cases pending at the end of the year (4-5)	Percentage of pendency
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1972-73	60,783	60,341	1,21,124	69,486	51,638	43
1973-74	51,638	67,521	1,19,159	60,105	59,054	50
1974-75	59,054	74,656	1,33,710	66,048	67,662	50

Progress of Revision cases

1972-73	18,640	19,840	38,480	15,910	22,570	59
1973-74	22,570	19,760	42,330	14,169	28,161	66
1974-75	28,161	18,554	46,715	15,440	31,275	67

(Figures are as furnished by the department)

Uncollected revenue

5.1. The total revenue collected and arrears of revenue pending collection in respect of some of the departments (figures of total arrears of revenue for the State as a whole are not available) are given below:—

Serial no.	Source of revenue	Amount of revenue collected during 1974-75	Amount pending collection on 31st March 1975	Percentage of arrears of revenue collected	Amount of arrears of more than 10 years old
(Amount in crores of rupees)					
1.	Sales Tax—Receipts under the Sales Tax Acts	1,09.97	55.46	50	5.04
	Tax on the Purchase of Sugarcane	13.13	7.94	60	1.85
2.	Forest	17.83	9.58	54	(Figures not available)
3.	Electricity Duty	2.09	6.05	289	Ditto.
4.	Irrigation, Navigation, Drainage and Flood Control Projects (including Special and Backward Areas as well as Minor Irrigation, etc.)	67.28	5.92	9	Ditto.
5.	Land Revenue	31.11	5.31	17	0.11 (Vrihat Jot Kar)
			{ Land Revenue 4.81 Vrihat Jot Kar 0.50* }		(Figures in respect of Land Revenue not available)
6.	Taxes on Vehicles, Goods and Passengers	27.68	0.95	3	0.01
7.	State Excise Duties	38.96	0.53	1	(Figures not available)

Analysis of arrears

5.2. An analysis of arrears of revenue pending collection as on 31st March 1975 in respect of some departments is given below:—

(a) Sales Tax

Sales tax demand raised but not collected as on 31st March 1975 amounted to Rs.55.46 crores as against Rs.53.31 crores outstanding at

*The Vrihat Jot Kar arrears are exclusive of the arrears of Large Land Holdings Tax and Agricultural Income Tax which, on 31st March 1975, were Rs.11.78 lakhs and Rs. 8.44 lakhs respectively.

the end of March 1974. Year-wise analysis of the outstanding amount is given below:—

Year	Arrears as on	
	31st March 1974	31st March 1975
	(In crores of rupees)	
Upto 1969-70	14.72	13.04
1970-71	4.30	3.40
1971-72	4.91	3.76
1972-73	8.15	5.66
1973-74	21.23	9.35
1974-75	..	20.25
Total	53.31	55.46

According to information furnished by the department (September 1975), the amount of arrears as on 31st March 1975 was in the following stages of action:—

Stage of action	Amount of arrears (In crores of rupees)
(i) Amount covered by recovery certificates	32.42
(ii) Amount stayed by High Court and other Judicial authorities	8.76
(iii) Amount stayed by the Government	0.62
(iv) Amount likely to be written off	2.74
(v) Other stages	10.92
Total	55.46

(b) *Tax on the Purchase of Sugarcane*

Year-wise analysis of the outstanding amount as on 31st March 1975 is given below:—

Year	Arrears due from		Total
	Sugar factories	Khandsari units	
	(In crores of rupees)		
Upto 1964-65	1.84	0.01	1.85
1965-66	0.41	..	0.41
1966-67	0.21	..	0.21
1967-68	0.29	0.01	0.30
1968-69	0.55	0.02	0.57
1969-70	1.03	0.03	1.06
1970-71	0.79	0.03	0.82
1971-72	..	0.03	0.03
1972-73	..	0.04	0.04
1973-74	..	0.11	0.11
1974-75	..	2.54	2.54
Total	5.12	2.82	7

(c) *Forest*

Of rupees 9.58 crores, pending collection as on 31st March 1975, Rs.8.75 crores were due from private parties.

(d) *Electricity Duty*

Section 3 of the U. P. Electricity (Duty) Act, 1952, prescribes levy of electricity duty on varying rates on sale and consumption of electricity. The licensee, the State Electricity Board, other appointed authorities and other persons consuming energy from their own sources of generation have been entrusted with the levy, collection and payment of duty to Government. The arrears of electricity duty to be realised from the aforesaid authorities as on 31st March 1975 were Rs.2.16 crores (more than 90 per cent of which was due from the U. P. State Electricity Board) in addition to Rs.3.89 crores stayed by the Allahabad High Court in respect of electricity duty due from Messrs. Renu Sagar Electricity Power Company Limited, Renukoot.

(e) *Land Revenue*

(i) Land revenue demand raised but not collected as on 31st March 1975 amounted to Rs.4.81 crores as against Rs.6.56 crores outstanding on 31st March 1974. The recovery of the entire amount of arrears has been stayed by the competent authorities. Year-wise analysis of the outstanding amounts was not available with the department.

(ii) *Vrihat Jot Kar*

Demand raised in respect of Vrihat Jot Kar but not collected as on 31st March 1975 amounted to Rs.0.50 crore. Year-wise analysis of the outstanding amounts is given below :—

Arrears on 31st March 1975

	(In crore of rupees)
Upto 1969-70	0.27
1970-71	0.08
1971-72	0.05
1972-73	0.04
1973-74	0.04
1974-75	0.04
Total	0.50

According to information furnished by the department (October 1975), the collection of arrears of Vrihat Jot Kar was in the following stages of action as on 31st March 1975:—

Stage of action	Amount of arrears (In crore of rupees)
(i) Amount covered by recovery certificates	0.34
(ii) Amount stayed by High Court and other Judicial authorities	0.03
(iii) Amount stayed by the Government	0.01
(iv) Other stages	0.12
Total	0.50

(iii) *Large Land Holdings Tax and Agricultural Income Tax*

The U. P. Vrihat Jot Kar Act, 1963, came into force from 1st July 1962. Prior to this, the U. P. Large Land Holdings Tax Act had been in force from 1st July 1957 to 30th June 1961 (1365 *fasli* year to 1368 *fasli* year) and the Agricultural Income Tax Act had been in force from 1st July 1947 to 30th June 1956 (1355 *fasli* year to 1363 *fasli* year).

The position of arrears in respect of Large Land Holdings Tax and Agricultural Income Tax as on 31st March 1975 was as under:—

(A)

Fasli Year	Large Land Holdings Tax (In rupees)
1365 (1st July 1957 to 30th June 1958)	2,87,451
1366	2,92,802
1367	3,04,275
1368 (1st July 1960 to 30th June 1961)	2,93,606

Total	11,78,134

According to information furnished by the department (September 1975), the collection of arrears of Large Land Holdings Tax was in the following stages of action :—

Stage of action	Arrears (In rupees)
(i) Amount covered by recovery certificates	9,15,747
(ii) Amount stayed by Judicial authorities	2,62,387

Total	11,78,134

Fasli Year	Agricultural Income Tax (Arrears in rupees)
1356 (1st July 1948 to June 1949)	6,510
1357	10,053
1358	81,069
1359	2,83,103
1360	43,238
1361	1,96,385
1362	1,45,950
1363 (1st July 1955 to 30th June 1956)	77,802

Total	8,44,110

According to information furnished by the department (September 1975), the collection of arrears of Agricultural Income Tax was in the following stages of action :—

Stage of action	Arrears (In rupees)
(i) Amount covered by recovery certificates	7,64,447
(ii) Amount stayed by Judicial authorities	79,633
Total	8,44,110

The department stated (September 1975) that instructions to the district authorities had been issued for the recovery of arrears of Vrihat Jot Kar, Large Land Holdings Tax and Agricultural Income Tax by the end of March 1976.

(f) *Taxes on Vehicles, Goods and Passengers*

Demand raised in respect of taxes on vehicles, goods and passengers but not collected as on 31st March 1975 amounted to Rs.0.95 crore as against Rs.0.57 crore outstanding on 31st March 1974. Year-wise analysis of the outstanding amounts is given below :—

	Arrears as on	
	31st March 1974	31st March 1975
	(In crore of rupees)	
Upto 1969-70	0.13	0.08
1970-71	0.06	0.04
1971-72	0.07	0.04
1972-73	0.10	0.03
1973-74	0.21	0.05
1974-75	..	0.71
Total	0.57	0.95

According to information furnished by the department (October 1975), the arrears as on 31st March 1975 were in the following stages of action :—

Stage of action	Amount of arrears (In crore of rupees)
(i) Amount covered by recovery certificates	0.17
(ii) Amount stayed by High Court and other Judicial authorities	0.54
(iii) Amount stayed by other authorities	0.01
(iv) Amount likely to be written off	0.06
(v) Other stages	0.17
Total	0.95

(g) State Excise Duties

State excise duties levied but not collected as on 31st March 1975 amounted to Rs.0.53 crore as against Rs.0.76 crore outstanding on 31st March 1974. Year-wise analysis of the outstanding amounts was not available with the department (November 1975).

According to information furnished by the department, the amount of arrears as on 31st March 1975 was in the following stages of action:—

Stage of action	Amount of arrears (In crore of rupees)
(i) Amount covered by recovery certificates	0.39
(ii) Amount stayed by High Court	0.09
(iii) Amount stayed by the Government	0.02
(iv) Amount held up due to dealers becoming insolvent	0.03
Total	0.53

Remissions of revenue

6. Details of remissions made during 1974-75 as furnished by some of the departments are given below:—

Department	Remissions	
	Items	Amount (In lakhs of rupees)
1. Sales Tax	44	0.83
2. Land Revenue	31 (districts)	60.05
3. State Excise	2	0.05

Cost of collection

7. Expenditure incurred in collecting the receipts under the principal heads of revenue during the three years from 1972-73 to 1973-74 is given in Appendix I.

CHAPTER II
FINANCE DEPARTMENT
SALES TAX

Results of test audit of Sales Tax in general

8. In the course of test audit of Sales Tax offices during 1974-75, 988 cases of under-assessment involving Rs.50.76 lakhs were noticed. The under-assessment may be broadly categorised under the following heads:—

Nature of under-assessment	Number of cases	Rupees in lakhs
1. Incorrect classification of goods	94	26.44
2. Application of incorrect rates	254	5.50
3. Irregular grant of exemption	107	4.59
4. Turnover escaping assessment	95	1.82
5. Non-levy of penal interest	16	1.13
6. Non-levy of additional sales tax	115	1.12
7. Under-assessment under the Central Sales Tax Act	26	0.84
8. Incorrect determination of taxable turnover	24	1.16
9. Miscellaneous	257	8.16
	988	50.76

Particulars of some of the important cases are given in the following paragraphs of this chapter.

Misclassification of sales resulting in short levy of tax

9. Under the U. P. Sales Tax Act, 1948, poles of different kinds used for electrical lines or cables fall under the category of electrical equipment required for generation, distribution and transmission of electrical energy and their turnover is taxable at 7 per cent at the point of sale by importers or manufacturers.

In the audit of a Sales Tax Circle, it was noticed (July 1974) that a firm of Rampur manufactured prestressed concrete cement poles and supplied them to the Hydel Divisions in Uttar Pradesh on which the assessing officer imposed a tax of 3 per cent only treating the commodity as an unclassified item. There was, thus, an under-assessment of tax of Rs.96,662 on his turnover of poles of Rs.24,16,558 for the period April 1970 to 27th June 1971.

On this being pointed out in audit (August 1974), Government stated (January 1976) that an additional demand of Rs.96,662 had been raised against the dealer.

Scientific glass-ware taxed as scientific goods

10. Under the U. P. Sales Tax Act, 1948, glass-ware other than hurricane lantern chimneys, optical lenses and bottles were taxable at 10 per cent upto 14th April 1974 and at 12 per cent thereafter in the hands of the manufacturer or importer. Since no separate rate of sales tax has been specified for non-glass-ware scientific goods, they are taxable at the general rate, which was 2 per cent upto September 1969 and 3 per cent thereafter, at all points of sale, until November 1973.

In local audit of a Sales Tax Circle (January 1975), it was seen that a dealer in electrical goods and glass-ware disclosed, for the assessment year 1971-72, a turnover of sales of scientific glass-ware (purchased from outside the State) amounting to Rs.5,36,884, which was assessed to tax (December 1973) at 3 per cent as scientific goods. On being pointed out in audit that the turnover in question was taxable at 10 per cent (as glass-ware), the department contended that the dealer had inadvertently shown items of scientific apparatus like test tubes, spirit lamps as scientific glass-ware and that the turnover had been correctly assessed as scientific goods. The contention of the department was not maintainable as the Allahabad High Court has held that "the entry 'glass-ware' must be taken to refer to all articles of glass except those specifically excluded in the entry and except glass bangles and articles of glass which can be considered as falling within other entries". Since scientific glass-ware have neither been excluded from the entry 'glass-ware' nor covered by other entries, its turnover was taxable at 10 per cent. The under-assessment of tax in this case amounted to Rs.37,582. The turnover of the so-called scientific goods of the same dealer mentioned above was correctly assessed at 10 per cent for the assessment years 1970-71 and 1972-73.

The case was reported to Government in March 1975; reply is awaited (February 1976).

Under-assessment due to incorrect application of rates

11. Under the U. P. Sales Tax Act, 1948, the turnover of coal, tiles of all kinds and soft beverages was taxable at 2 per cent multi-point. From 6th July 1966 coal was made taxable at 3 per cent at the point of sale to consumer. Similarly, with effect from 1st July 1969 tiles and soft beverages were made taxable at 8 per cent and 6 per cent respectively at the point of sale by an importer or manufacturer.

In the course of audit, it was, however, noticed (May, August and October 1974) that turnovers of tiles (Rs.2,30,000), soft beverages (Rs.4,35,000) and coal (Rs.9,00,000) for the period falling between April 1969 and November 1971 in respect of four dealers were assessed to tax at lower rates, resulting in under-assessment of tax of Rs.34,050. On this being pointed out in audit, the department stated (January 1976) that an additional demand of Rs.12,000 had been raised against the dealer (September 1975) in respect of the turnover of tiles.

The matter was reported to Government in July, September and November 1974; reply is awaited (February 1976).

Application of incorrect rate of sales tax

12. Under the U. P. Sales Tax Act, 1948, no separate rate of sales tax had been prescribed for resin, grass and stone-ballast till 30th November 1973. These commodities were, therefore, taxable at the general rate of 2 per cent upto 30th September 1969 and at 3 per cent thereafter at all points of sale.

It was seen that two Divisional Forest Officers of Almora District disclosed for the assessment year 1969-70 a turnover of resin, grass and stone ballasts amounting to Rs.1,25,75,897 of which a turnover of Rs.24,67,930 pertaining to the period 1st April 1969 to 30th September 1969 was taxable at 2 per cent and the remaining turnover of Rs.1,01,07,967 pertaining to the period 1st October 1969 to 31st March 1970 was taxable at 3 per cent. Against this, the assessee were assessed to tax (December 1973 to March 1974) at 2 per cent on a turnover of Rs.75,72,937 and at 3 per cent on a turnover of Rs.50,02,960, resulting in under-assessment of tax of Rs.51,050. On this being pointed out in audit (July 1974), the department revised the assessment orders and created an additional demand of Rs.51,050 (June 1975); the recovery of tax is in progress.

The matter was reported to Government in July 1974; reply is awaited (February 1976).

Under-assessment of tax on hardware

13. In the course of local audit of a Sales Tax Circle (June 1972), it was noticed that a firm had disclosed for the assessment year 1967-68 a net sales turnover of Rs.14,13,934 which was assessed to tax (September 1971) at 3 per cent as hardware. Since the rate of tax on hardware was raised to 6 per cent from 1st August 1967, a turnover of Rs.12,48,217 pertaining to the period 1st August 1967 to 31st March 1968 was taxable at 6 per cent. On this being pointed out in audit, the department stated (July 1975) that the assessment order had since been revised and an additional demand of Rs.37,447 created against the assessee. Particulars of recovery of the additional demand are awaited (February 1976).

The matter was reported to Government in September 1975; reply is awaited (February 1976).

Non-levy of additional tax on certain dealers

14. Under section 3-F of the U. P. Sales Tax Act, 1948, every dealer whose total turnover of sales or of purchases or of both in any assessment year exceeded rupees two lakhs was liable to pay for that assessment year an additional tax at the rate of one quarter per cent upto 14th November 1971, and at one-half per cent thereafter on his taxable turnover. Omission to levy this additional tax was pointed out in paragraph 19 of the Audit Report on Revenue Receipts for 1972-73.

During 1974-75, it was noticed that additional tax amounting to Rs.0.37 lakh had not been levied in 24 sales tax circles on a taxable turnover of Rs.1,17.25 lakhs pertaining to the period October 1970 to March 1973. On this being pointed out in audit, a sum of Rs.3,000 was recovered. Report regarding recovery of the balance amount is awaited (February 1976).

The matter was reported to Government in June 1975; reply is awaited (February 1976).

Under-assessment due to incorrect exemption

15. Under section 4-A of the U. P. Sales Tax Act, 1948, where the State Government is of the opinion that it is necessary to do so for increasing the production of the specified goods, it may by notification declare that the turnover in respect of such goods of the manufacturer thereof shall be exempt from sales tax during such period as may be specified. In pursuance of the aforesaid provisions of the Act, the State Government issued a notification on 22nd September 1970 declaring that the turnover of a manufacturer of Azamgarh District in respect of bicycle tubes, rickshaw tubes, valve tubes and brake-rubbers would be exempt from sales tax for a period of 3 years with effect from 22nd September 1970.

In the course of audit, it was noticed (January 1974) that the aforesaid manufacturer manufactured and sold bicycle and rickshaw tyres during the assessment year 1971-72. The dealer claimed exemption on his turnover of tyres as well in terms of the Government notification dated 22nd September 1970 which was also erroneously allowed by the assessing officer. On it being pointed out in audit that the turnover of tyres did not enjoy exemption under the Government notification, the assessment case of the dealer was re-opened by the assessing officer and a tax of Rs.18,430 was levied on his turnover of tyres of Rs.250,154 for the assessment year 1971-72. This tax has since been deposited by the dealer (August 1974).

The matter was reported to Government in April 1974; reply is awaited (February 1976).

Irregular exemption

16. Under the Uttar Pradesh Sales Tax Act, 1948, the turnover of first purchases of foodgrains (including cereals) was taxable at 1.5 per cent during the period 1st October 1964 to 14th November 1971. In the case of a purchase made by a registered dealer through the agency of a licensed dealer, the registered dealer was deemed to be the first purchaser. Furthermore, if the total turnover of purchases or of sales or of both of a dealer exceeded rupees two lakhs in any assessment year he was further liable to an additional tax at the rate of 25 paise on every hundred rupees of his taxable turnover.

In local audit of a Sales Tax Circle (September 1973), it was noticed that a licensed registered dealer disclosed purchases of foodgrains worth Rs.9,52,063 during the assessment year 1970-71 on behalf of the Food Corporation of India and claimed exemption from purchase tax on this turnover which was allowed (September 1972). The declaration given by the Food Corporation of India, however, revealed that it had purchased foodgrains worth Rs.1,13,995 only through the agency of the aforementioned licensed dealer. Audit pointed out (October 1973) that exemption from purchase tax on a turnover of Rs.8,38,068 was irregular and the licensed registered dealer was, therefore, liable to a purchase tax of Rs.12,571 and an additional tax of Rs.2,095.

The Sales Tax Commissioner replied (August 1975) that the sum of Rs.14,666 had since been assessed (May 1975) on the licensed registered dealer. The recovery of this tax is awaited (February 1976).

The matter was also reported to Government in October 1973; reply is awaited (February 1976).

Metallic zari borders of saris irregularly exempted from sales tax

17. A dealer of Varanasi was carrying on the business of selling metallic zari and zari borders of saris, which he got manufactured on handloom by local weavers, and was getting exemption from sales tax on zari borders of saris as handloom cloth. In the course of local audit (April 1975), it was noticed that the inter-State sales of zari borders of saris amounting to Rs.24,06,621 for the assessment years 1969-70 to 1971-72 had been irregularly exempted from tax treating it as handloom cloth.

Under the notification of 31st March 1956 as amended by the notification of 4th May 1962 and 1st July 1969, 'all kinds of cloth manufactured on handloom including dhotis, saris and bedsheets but excluding pure silk cloth manufactured on handloom including silk dhotis, saris and chadars' were exempted from sales tax. These notifications do not extend the exemption from sales tax to zari borders of saris. Sari borders are distinct commercial commodities and are not covered by the expression 'handloom cloth'.

Zari borders of saris in this case are, therefore, taxable under the U. P. Sales Tax Act, 1948. Since the rate of tax for sari borders had not been specified in the Act, the general rate of tax, which was 2 per cent upto 30th September 1969 and 3 per cent thereafter, was applicable to this commodity and its corresponding rate of tax applicable to inter-State sales was 2 per cent upto 30th September 1969 and at 10 per cent thereafter, if not covered by the declaration forms. The inter-State sales, irregularly exempted from tax, amounted to Rs.3,41,541 upto 30th September 1969 and Rs.20,65,080 from 1st October 1969 to 31st March 1972 and involved a tax effect of Rs.3,13,339.

On this being pointed out in audit (April 1975), the department reopened the cases for re-assessment. Further development in the case is awaited (February 1976).

The matter was reported to Government in July 1975; reply is awaited (February 1976).

Non-levy of sales tax on sales of rectified spirit not in the course of export

18. During the year 1970-71 the Excise Commissioner, Uttar Pradesh, permitted certain distilleries of Uttar Pradesh to supply specified quantities of rectified spirit for export out of India. The export was to be made by two exporters by purchasing the spirit from these distilleries. As per special indemnity bonds executed by these exporters in favour of the Excise Commissioner, U. P., they were to take delivery of spirit in their tankers from the distilleries and make their own arrangements for transporting it upto the ports from where it was to be exported.

Under the Central Sales Tax Act, 1956 sales in the course of export are exempt from taxation. But sales of spirit by the distillers of Uttar Pradesh to the exporters were not in the course of export of the goods out of the territory of India as (i) the sales were not the immediate cause of export and (ii) there were two independent sales—first between the distillers and the exporters and second between the exporters and the foreign buyers. The sales made by distillers not being in the course of export were not eligible for exemption.

With a view to ascertaining whether the sales made by distillers were assessed to sales tax, the records of the concerned assessing officers (where these distillers were being assessed to sales tax) were checked in audit (May and June 1975) and it was found that such sales amounting to Rs.24.52 lakhs made during the year 1970-71 were incorrectly exempted from the levy of sales tax by four assessing officers on the ground that the sales were meant for export. Since the aforementioned sales of spirit were made to exporters (intermediaries) and the title in the goods passed on to the latter on taking delivery of spirit in Uttar Pradesh, such sales were not in the course of export but sales made in Uttar Pradesh. The grant of exemption by the assessing officers, therefore, resulted in non-levy of sales tax of Rs.0.77 lakh.

On this being pointed out in audit (May and June 1975), the assessing officers agreed to reopen the assessment cases and to assess these sales to tax. Further report is awaited (February 1976).

The matter was reported to Government in August 1975; reply is awaited (February 1976).

Inadmissible deduction from taxable turnover

19. According to the Central Sales Tax Act, 1956, turnover means the aggregate of the sale prices received and receivable by any dealer in respect of sales of any goods in the course of inter-State trade or commerce. Sale price means the amount payable to a dealer as consideration for the sale of any goods, less any sum allowed as cash discount according to the practice normally prevailing in the trade but inclusive of any sum charged for anything done by the dealer in respect of the goods at the time of or before the delivery thereof other than the cost of freight or delivery or cost of installation in cases where such cost is separately charged.

A dealer of Lucknow entered into an agreement with a cement factory of Madhya Pradesh on 12th November 1968 according to which the former was to supply during each calendar year 34.50 lakhs old serviceable empty cement gunny bags to the latter F. O. R. destination at the prevailing D. G. S. D. rate and Rs.15 per hundred bags as collection charges and Rs.2.50 per hundred bags as extra service charges. In terms of this agreement, the dealer supplied empty cement bags for Rs.22,63,426 and Rs.26,40,937 to the cement factory of Madhya Pradesh during the assessment years 1969-70 and 1970-71 against which he was assessed on an inter-State turnover of Rs.19,56,166 and Rs.20,60,149 only for the said years. The dealer had split up the aggregate amount for which goods had been supplied and distributed it under different receipt heads—cost of goods, freight, coolie charges, cartage, stitching charges, and had paid sales tax only on the portion of the inter-State turnover representing cost of goods. Since the agreement was for supply of empty cement bags F. O. R. destination, tax was payable on the invoice value of the goods, inclusive of the freight and other charges as per provisions of the Central Sales Tax Act, 1956. When this was pointed out in audit, the department revised the assessment orders and created additional demands of Rs.30,726 and Rs.58,079 for the said assessment years (February 1974).

The case was reported to the Sales Tax Commissioner in December 1972. The department replied (September 1974) that the recovery was in progress.

The matter was referred to Government in December 1972; reply is awaited (February 1976).

Trade discount and bonus

20. Under the Central Sales Tax Act, 1956, from the 'turnover' a cash discount, according to the practice normally prevailing in the trade, is deducted.

In the local audit (May 1973) of a Sales Tax Circle (Aligarh), it was seen that a private company, appointed as a sole selling agent of three local manufacturers of locks and geometrical boxes, had announced in its price list payment of a trade discount of 4 per cent, a bonus of 4 per cent and, on giving a minimum business of Rs.4,000 during the year, an extra bonus of two per cent to its agents and distributors. On his total inter-State sales of Rs.1,45,40,032 during the assessment year 1969-70, the dealer had allowed a trade discount of Rs.5,61,085 and a bonus of Rs.7,52,756. The assessee reduced his inter-State sales turnover by Rs.13,13,841 and paid Central sales tax on the reduced inter-State sales turnover of Rs.1,32,26,191. On it being pointed out in audit (June 1973) that the amount of trade discount and bonus paid by the assessee was not an admissible deduction since it was not a 'cash discount according to the practice normally prevailing in the trade', the department revised the assessment order and raised (December 1973) an additional demand of Rs.27,737 against the dealer under the Central Sales Tax Act, 1956. (The rate of Central sales tax varied between 2 per cent to 10 per cent). The recovery of the additional demand of Rs.27,737 is awaited (February 1976).

The matter was reported to Government in July 1975; reply is awaited (February 1976).

Short levy of tax on inter-State sales

21. State Vaccine Institute, Naini Tal, effected sales of Rs.1,60,304 of vaccine in the course of inter-State trade or commerce during the year 1970-71. These sales were not supported by declaration forms and as such were liable to tax of Rs.16,030 at the rate of 10 per cent. Owing to mistake in calculation, tax of Rs.1,603 only was, however, levied which resulted in short levy of tax of Rs.14,427. On this being pointed out in audit (May 1975), the assessment order was revised creating an additional demand of Rs.14,427. Report regarding recovery is awaited (February 1976).

The matter was reported to Government in July 1975. reply is awaited (February 1976).

Interpolation in declaration forms

22. Under the Central Sales Tax Act, 1956, the inter-State sale of brake-oil and chemicals is taxable at 3 per cent, if covered by declaration forms and at 10 per cent, if not so covered.

It was noticed that a dealer of Ghaziabad had, for the assessment years 1967-68 and 1968-69, returned (through his quarterly returns) an inter-State turnover of brake-oil and chemicals of Rs.8,66,315, covered by declaration forms. But, for the final assessments for the said years he disclosed an inter-State turnover of Rs.9,64,843. A scrutiny of the declaration forms revealed that out of 1,198 declaration forms furnished by

the dealer, only 868 declaration forms were available in the Sales Tax Office and 330 declaration forms were reported missing. Out of 868 declaration forms available, 89 declaration forms contained interpolation in figures of sales. In each of these 89 declaration forms, the dealer had interpolated the figures by Rs.1,000, thereby enhancing the inter-State turnover, covered by declaration forms, by Rs.89,000. Evidently, the declaration forms were not properly checked by the department before admitting claims for concessional rate of tax on the basis of these declarations. When these interpolations were pointed out in audit (May 1974), the department revised the assessment order passed under the Central Act for the assessment year 1967-68 and raised (May 1974) an additional demand of Rs.2,307 against the dealer (also confirmed in appeal in December 1974) and issued notice for upward revision of tax for the assessment year 1968-69 involving a minimum additional tax of Rs.4,830. For the offence committed by the dealer under clause (a) of section 10 of the Central Sales Tax Act, 1956, prosecution proceedings are under consideration. Action to fix responsibility for accepting such interpolated declaration forms has also been initiated (November 1975).

The matter was reported to Government in May 1974; reply is awaited (February 1970).

Ineffective survey leading to loss of revenue

23. Under the Uttar Pradesh Sales Tax Act, 1948 and the Rules made thereunder, every dealer, liable to pay tax under the Act, has to submit to the assessing authority a return of his turnover every quarter and to deposit the sales tax due on the turnover shown in the return. In the event of the failure of a dealer to submit the quarterly returns, the assessing authority is required, after making such enquiries as he considers necessary, to assess the tax provisionally and ask the dealer to pay it. The final assessment is to be made upon the expiry of each assessment year.

A dealer who carried on his business of manufacturing and selling *khandsari* sugar and molasses during the period 1st April 1969 to 30th December 1970 neither submitted any quarterly return nor paid any tax during this period. The assessee closed down his business and was untraceable after December 1970. The assessments for the years 1969-70 and 1970-71 were finalised *ex parte* on 28th August 1973 and a total demand of Rs.65,450 was raised against the dealer. It was, however, noticed that in these *ex parte* assessments the sales turnover of *khandsari* assessed to tax at 3 per cent though its rate was increased to 6 per cent from 1st July 1969 and again to 10 per cent from 1st July 1970. On this being pointed out in audit, the department created (March 1975) a further demand of Rs.7,874 against the dealer. However, it has not been possible to recover the demand (Rs.73,324) so far (February 1976) as the dealer is not traceable.

The matter was reported to Government in December 1974; reply is awaited (February 1976).

Exclusion of excise duty from taxable turnover

24. In local audit of a Sales Tax Circle (June 1975), it was noticed that a distiller (Meerut District) disclosed for the assessment year 1970-71 a gross sales turnover of spirits and rum amounting to Rs.22,01,660 of

which a turnover of Rs.2,21,117 pertained to the supply of rum to military canteen stores for consumption within Uttar Pradesh. According to the distiller's statement, the total quantity of rum supplied for consumption within the State of Uttar Pradesh to the Defence Department was 1,00,800 bulk litres and the turnover of Rs.2,21,117 was arrived at by adding to the cost of rum (Rs.1,94,124) the amount of obscuration duty (Rs.8,176) and bottling fee (Rs.18,817) paid thereon. The amount of excise duty paid on these supplies to the Defence Department should have formed part of the taxable turnover but has not taken into account at the time of assessment completed in March 1975. The excise duty payable on the supplies of 1,00,800 bulk litres (or 74,274 London proof litres) to military canteen stores for consumption within Uttar Pradesh at the prescribed rate of Rs.7 per London proof litre worked out to Rs.5,19,918 and involved a sales tax of Rs.51,992 at 10 per cent.

On this being pointed out in audit, the department issued notice for re-assessment of the escaped turnover.

The matter was referred to Government in July 1975; reply is awaited (February 1976).

Turnover of sanitary wares escaping assessment

25. Under the U. P. Sales Tax Act, 1948, sanitary goods and fittings were taxable at 8 per cent in the hands of the manufacturer or importer from 1st September 1966 to 30th June 1970. From 1st July 1970 pipes and their fittings were excluded from the entry 'sanitary goods and fittings' and were made separately taxable at 6 per cent, single point. Sanitary goods and fittings excluding pipes and their fittings continued to be taxable at 8 per cent upto 14th April 1974 and at 10 per cent thereafter single point.

In the local audit of a Sales Tax Circle (January 1975), it was noticed that a firm of Uttar Pradesh was carrying on business in crockery, sanitary wares and tiles as a sole selling agent of a manufacturer of West Bengal. For the assessment year 1970-71, the firm disclosed a net sales turnover of Rs.15,25,696, comprising sales of crockery of Rs.14,95,603 (taxable at 10 per cent) and sales of tiles of Rs.30,093 (taxable at 8 per cent). Though the firm disclosed no sales of sanitary wares during the assessment year 1970-71, the statement of breakages allowed by it to its purchasing parties showed that it had allowed total breakages of Rs.1,026 to its customers on sales of sanitary wares during the period 1st April 1970 to 31st March 1971 and that such breakages had been allowed at the rate of 0.3 per cent of sales of sanitary wares.

On the basis of breakages allowed on the sales of sanitary wares, the sales turnover of sanitary wares of the dealer, which escaped assessment during the said assessment year, worked out to Rs.3,42,000 involving a sales tax liability of Rs.27,360 at 8 per cent. The dealer was further liable to pay, by way of penalty, in addition to the tax, a sum not less than 50 per cent but not exceeding one and one-half times of the amount of tax avoided. On this being pointed out in audit, the department issued notice (January 1975) for re-assessment against the dealer. Penalty proceedings have not so far (February 1976) been initiated.

The case was reported to Government in March 1975; reply is awaited (February 1976).

Non-levy/short levy of purchase tax on foodgrains

26. Under the U. P. Sales Tax Act, 1948, foodgrains (including cereals and pulses) were taxable at 1.5 per cent at the point of first purchases upto 14th November 1971, at 1 per cent at all points of purchases upto 18th May 1973 and at 4 per cent at the point of first purchases from 19th May 1973.

In the local audit (June 1974) of a Sales Tax Circle (Naini Tal), it was seen that 14 hotels and restaurants had purchased foodgrains worth Rs.8,54,295 during the period from 15th November 1971 to 31st March 1973 but the purchases of foodgrains had escaped assessment to a tax of Rs.8,543.

In another Sales Tax Circle (Allahabad), the first purchases of foodgrains worth Rs.1,75,000 (approximately) by an assessee during the period 19th May 1973 to 31st March 1974 had been assessed to tax at 1 per cent instead of at 4 per cent resulting in an under-assessment of Rs.5,250. On these being pointed out in audit, the department issued notices against the assessee in both the cases for re-assessment.

The cases were reported to Government (July 1974 and May 1975); reply is awaited (February 1976).

Incorrect determination of turnover of a country liquor licensee

27. An excise contractor was granted a licence for the retail vend of country liquor for the year 1969-70 on payment of licence fee of Rs.90,000. He was assessed on his returned turnover of plain and spiced country liquor of Rs.73,414 to a sales tax of Rs.7,341. In the course of audit of a sales tax assessment of the dealer, it was noticed (November 1973) that the returned turnover of the dealer was not commensurate with the licence fee, price of country liquor and State excise duty paid by him in obtaining these supplies for purposes of retail vend. It was pointed out in audit that allowing for other incidental expenses and a reasonable margin of profit, the turnover of sales of plain and spiced country liquor should have been much higher. The assessment was thereupon re-opened and the turnover was determined at Rs.1,79,756. Thus, an additional demand of tax of Rs.10,634 was created. Information regarding recovery of additional tax is awaited (February 1976).

Since the dealer had deliberately furnished inaccurate particulars of his turnover, he was also liable under the U. P. Sales Act, 1948, to a penalty upto a sum not exceeding one and a half times the amount of tax that was sought to be evaded. No action for levy of penalty was, however, taken by the department (February 1976).

The matter was referred to Government in November 1973; reply is awaited (February 1976).

Escaped turnover

28. In the local audit of a Sales Tax Circle (January 1975) it was noticed that a Tannery and Footwear Corporation, Kanpur was assessed to tax on a turnover of Rs.1,51,89,691 for the assessment year 1970-71. A scrutiny of the Profit and Loss Account of the assessee for the year ending 31st March 1971, however, revealed that a sales turnover of Rs.2,96,617, representing excise duty, deferred payments of sale price and freight and distribution charges incurred before delivery had escaped assessment to sales tax. The tax involved amounted to Rs.22,740.

On this being pointed out in audit (March 1975), the department issued notice for revision of tax.

The matter was reported to Government in March 1975; reply is awaited (February 1976).

Non-levy of tax on sales of motor spirit and diesel oil

29. According to section 3 of the U. P. Sales of Motor Spirit and Diesel Oil Taxation Act, 1939, a tax on retail sales of motor spirit and diesel oil, at such rates as may be notified, was payable by every retail dealer upto 1st May 1974 (from 2nd May 1974, such tax is leviable on the first sale in Uttar Pradesh instead of on retail sales). Rules framed under the Act provided that a retail dealer would furnish a return of retail sales made by him during the last preceding month and deposit the tax within one month of the close of that month. If the amount of the tax was not deposited within the specified time, the District Magistrate could recover it or any sum in addition to it not exceeding double the amount of the tax in arrears, as arrears of land revenue.

In the audit of a District Excise Office, it was noticed (May 1974) that six retail dealers of motor spirit and diesel oil did not furnish any details of their monthly retail sales and also did not deposit any tax for the period December 1973 to April 1974. On this being pointed out in audit, the matter was investigated by the department and as a result thereof, tax of Rs.62,940 was levied and realised from these dealers during the period June 1974 to June 1975. Report regarding imposition of penalty is awaited (February 1976).

The matter was reported to Government in July 1974; reply is awaited (February 1976).

Short levy of tax on sales of motor spirit and diesel oil

30. Under the U. P. Sales of Motor Spirit and Diesel Oil Taxation Act, 1939, a tax on retail sales of motor spirit and diesel oil at the rate of ten paise and seven paise per litre respectively was payable upto 1st May 1974. By an amendment of the aforesaid Act with effect from 2nd May 1974, the rate of tax was enhanced to 25 and 10 paise per litre on sales of motor spirit and diesel oil respectively and the incidence of tax was shifted from retail sale to first sale in Uttar Pradesh. However, the amendment Act itself provided that the retail dealers would also pay tax at enhanced rates on sales effected by them out of stock held on 2nd May 1974.

In the audit (December 1974 and March 1975) of two District Excise Offices, it was noticed that 24,245 litres of motor spirit and 81,767 litres of diesel oil were sold by 11 retail dealers out of the stock held by them on 2nd May 1974. Tax of Rs.14,238 which was leviable on these sales was, however, not levied by the department.

In another District Excise Office, it was noticed (March 1975) that 10 retail dealers sold 34,492 litres of motor spirit and 1,04,360 litres of diesel oil out of stock held by them on 2nd May 1974 but paid tax at the pre-revised rates. This resulted in short levy of tax of Rs.8,305.

Government stated (January 1976) that the amount of short levy had been recovered from the dealers.

OTHER TOPICS OF INTEREST

Irregular registration

31. For registration under the Central Sales Tax Act, 1956, a person must be a dealer and liable to pay tax under the Central or State Sales Tax Law. A person is considered to be a dealer only in relation to the goods which it is his business to sell.

Two Government Undertakings*—one established to carry on the business of manufacturing and dealing in heavy electrical goods, and the other set up with the main object of manufacturing and selling medicines, drugs and antibiotics—effected sales of uprooted trees and boulders during the course of clearance of their sites for erection of their plants and prayed for their registration as dealers under the State and Central Sales Tax Laws in March 1963 and June 1962. Though the former undertaking was initially refused registration (March 1963), registration was granted later from April 1965. The latter undertaking was allowed registration from the date of its application. As these two undertakings had not started their manufacturing programme by the time the registration was allowed to them, it was pointed out in the course of local audit (August-September 1966) that the undertakings had not qualified for registration under either the Central or the State Sales Tax Law on the basis of casual and isolated sales of uprooted trees and boulders made by them during site clearance; that permission to issue certificates in form D by one undertaking which was not a department of Government and grant of registration to them were irregular.

The cases were reported to the Sales Tax Commissioner (December 1966), and in reply it was stated (July 1973) that registration to these undertakings under the Central Sales Tax Act, 1956, was granted to give them facility in the erection stage of their factories. The registration allowed to these units under the Central Sales Tax Act, 1956, being contrary to the law, the assessment of the inter-State purchases of Rs.2.10.65 lakhs made by these undertakings from June 1962 to March 1967 at concessional rate of Central sales tax (which was 2 per cent upto 30th June 1966 and 3 per cent thereafter) resulted in irregular concession of tax to the extent of Rs.16.57 lakhs.

The matter was reported to Government in December 1966; reply is awaited (February 1976).

*Messrs. Heavy Electricals Ltd., Hardwar. Messrs. Indian Drugs and Pharmaceuticals Ltd., Rishikesh.

CHAPTER III
EXCISE DEPARTMENT
STATE EXCISE

Introductory

32. The revenue from excise in Uttar Pradesh is derived from the following taxes and fees :—

- (i) Still head duties on country spirits, Indian made foreign liquor and beer;
- (ii) Licence fees on country spirits, *tari*, Indian made foreign liquor and beer;
- (iii) Vend fees and licence fees on denatured spirits;
- (iv) Duties and licence fees on hemp drugs and opium;
- (v) Permit fees on Indian made and imported foreign liquor; and
- (vi) Other miscellaneous fees and taxes, such as, export duties, tree tax on *tari*, and bottling fees in respect of Indian made foreign liquor and beer.

Revenue from country spirits and Indian made foreign liquor constitutes the largest portion (69 to 84 per cent) of the total excise revenue, as would be seen from the following table :—

Year	Excise revenue			Total excise revenue	Percentage of column (4) to (5)
	Country spirits	Indian made foreign liquor	Total of columns (2) and (3)		
(1)	(2)	(3)	(4)	(5)	(6)
		(In crores of rupees)			
1968-69	16.05	4.06	20.11	24.45	82
1969-70	15.78	3.74	19.52	23.31	84
1970-71	16.83	2.93	19.76	24.43	81
1971-72	16.81	2.02	18.83	27.28	69
1972-73	21.38	3.38	24.76	30.89	80
1973-74	25.74	3.90	29.64	36.57	81
1974-75	25.97	6.18	32.15	38.96	83

Non-realisation of excise duty on import of foreign liquor from other States

33. Indian made foreign liquor may be imported by a licensee for the vend of foreign liquor in Uttar Pradesh, from any distillery, brewery, bonded warehouse or wholesale premises in another State or Union Territory on pre-payment of duty in the State of export or Union Territory at the rates in force in Uttar Pradesh. Such duty is payable to the importing State, *viz.*, Uttar Pradesh and is to be realised by book transfer from the exporting State at the close of the excise

year (April to March). The aforesaid provisions regarding payment and adjustment of excise duty apply only in respect of States/Union Territory with which the State of Uttar Pradesh has entered into reciprocal arrangements, viz., the States of Assam, Bihar, Maharashtra, Gujarat, Madhya Pradesh, Orissa, Punjab and West Bengal and the Union Territory of Delhi. The Chief Excise Authority of the exporting State or Union Territory is required to furnish periodical statements to the Excise Commissioner of Uttar Pradesh showing for the period concerned, all exports from that State to Uttar Pradesh, the amount of duty realised on such exports and the number and date of export passes covering the export consignments. The Excise Inspector of the Circle of Uttar Pradesh, where the consignment is received, is also required to check the consignment, endorse the result on the pass and send it to the Assistant Excise Commissioner concerned for onward transmission to the Excise Commissioner, U. P. On this basis, the amount of excise duty realisable by the Uttar Pradesh Government from the exporting State/Union Territory is determined.

In the audit of Excise Commissioner's Office, it was noticed (April 1975) that excise duty aggregating Rs.65.07 lakhs, which was due to this State, on account of imports made during the period 31st March 1968 to 30th September 1970 and 1st October 1973 to 31st March 1974 from the States of West Bengal (Rs.39.60 lakhs), Punjab (Rs.25.16 lakhs) and Bihar (Rs.0.31 lakh) remained unrealised till the date of audit (18th April 1975); information for the intervening period 1st October 1970 to 30th September 1973 was not available in the relevant records. Besides, the records relating to imports made from other States/Union Territory with which the State of Uttar Pradesh has reciprocal arrangements had not been maintained at all with the result that the quantum of excise duty to be realised from these States/Union Territory could not be worked out.

The matter was reported to Government in May 1975; reply is awaited (February 1976).

Loss of duty resulting from failure of contractors to supply country spirit on demand

34. Under the terms of a contract for the supply of country spirit, the supply contractors have to maintain a prescribed minimum stock of country spirit at each bonded warehouse of the contract area for supply to licensed retail vendors during the currency of the contract. On payment of excise duty and cost price of spirit, a retail vendor is entitled to be supplied promptly with the quantity of spirit for which payment has been made by him. In case the contractor fails to supply the spirit demanded owing to insufficient stocks in the bonded warehouse, he is liable to make good any loss accruing to Government on this account. In addition, he is also liable, at the discretion of the Excise Commissioner, to a penalty not exceeding Rs. 5 per proof gallon of spirit demanded but not supplied.

During the course of audit, it was noticed (July 1974 to February 1975) that at four bonded warehouses the contractors failed to maintain the prescribed minimum stock of country spirit during the period May 1973 to August 1974. Thus, owing to the stocks being insufficient the licensed retail vendors could not be supplied, on demand, 2,19,039 bulk litres of country spirit (plain : 1,99,756 litres and spiced : 19,283 litres) for which they had, apart from the cost price, deposited Rs.12.29 lakhs as excise duty. The supply contractors were, therefore,

liable to pay to the Government Rs.12.29 lakhs for loss of excise duty besides such amount of penalty as might be imposed by the Excise Commissioner.

The case was reported to Government between September 1974 and March 1975; reply is awaited (February 1976).

Non-realisation of duty on export of rectified spirit

35. The Excise Commissioner, Uttar Pradesh, permitted the export out of India of rectified spirit, during the years 1969-70 to 1971-72, from certain distilleries of Uttar Pradesh. The rectified spirit was to be lifted from the distilleries of Uttar Pradesh by specified exporters on execution of special bonds in favour of the Excise Commissioner, Uttar Pradesh. Such quantity of rectified spirit, as was lifted by the exporters but not actually exported out of India, was liable to excise duty.

It was noticed in audit (April 1975) that a quantity of 12,06,836 London proof litres of rectified spirit so lifted from the distilleries in Uttar Pradesh had not actually been exported out of India and was sold in West Bengal on which duty of Rs.3,01,709 (25 paise per London proof litre) was payable by the exporters, against which they paid Rs.1,54,931 only through bank draft in November 1972 (received in Excise Commissioner's office on 5th December 1972). Neither the bank draft was encashed nor any effort made to realise the full amount of excise duty due from the exporters.

The matter was reported to Government in May 1975; reply is awaited (February 1976).

Non-levy of duty on wastage of spirit on transfer from blending section to the bottling section

36. Under the Uttar Pradesh Bottling of Foreign Liquor Rules, 1969, liquor required for bottling in a distillery, brewery or vintnery shall be measured out and brought into bottling rooms by a permanently fixed pipe fitted within the liquor store or by such other means as may be approved by the Excise Commissioner.

During the course of audit of distilleries, it was noticed that for purposes of bottling, Indian made foreign liquor was transferred from the blending section of the distillery to the bottling section situated within the distillery premises through permanently fixed pipes and the quantity of spirit actually received in bottling section was generally short of the quantity transferred from the blending section. No duty on such pipeline wastages of spirit was charged from the distillers on the ground that the Excise Act and Rules did not provide for the levy of any duty on these wastage. In four distilleries alone, no duty (involving a revenue of Rs.2.18 lakhs approximately) could, thus, be levied on 5,586.9 litres of Indian made foreign liquor received short in bottling section on transfer from blending section during May 1973 to December 1974.

On this being pointed out in audit, Government agreed (January 1975) that since there should normally be no wastage in transfer of spirit through pipe-lines on account of evaporation or leakage, duty on spirit received short in the bottling section on transfer from the blending section should be realised. The recovery of duty in the aforementioned cases is awaited (February 1976).

Short levy of duty on rum

37. Under the U. P. Excise Act, excise duty on rum, issued for consumption of Indian troops within Uttar Pradesh, is to be charged at the concessional rate of Rs.12.50 per litre.

In the audit of a distillery, it was noticed (December 1974) that 8,012.3 litres of rum were issued from the distillery during the period 21st July 1973 to 21st March 1974 for consumption of Special Police Force personnel in Uttar Pradesh at the concessional rate of Rs.12.50 per litre. Since this rum was not meant for consumption of Indian troops, it was chargeable at full rate of duty of Rs.37 per litre. Thus, levy of duty at concessional rate resulted in short realisation of duty of Rs.1.96 lakhs.

The matter was reported to Government in January 1975; reply is awaited (February 1976).

Short levy of fixed licence fee on sales of spirits, wines, etc.

38. Under the Uttar Pradesh Excise Wholesale and Retail Vend of Foreign Liquor (Amendment) Rules, 1974, 'fixed fee' and 'assessed fee' at prescribed rates are payable by FL-5 licensees (holding licence for sale of foreign liquor for consumption 'off' the premises) on the sales of foreign liquor made during the excise year (April—March). The 'assessed fee' is calculated at Rs.3 'per reputed quart bottle' (750 ml.) sold, whereas 'fixed fee' is levied at prescribed rates with reference to the total number of 'bottles' sold (thereby implying that the bottles sold could be of any size, viz., quarts, pints or nips). Thus, 'assessed fee' is to be determined on the total quantity of spirit sold expressed in terms of reputed quart bottles, and 'fixed fee' is to be calculated on the actual number of bottles sold, irrespective of the quantity that could be contained therein.

In the audit of two District Excise Offices (Varanasi and Etawah), it was noticed (May 1975 and June 1975) that 'fixed fee' for sales of spirit made during the year 1974-75 was calculated on the quantity of spirit expressed in terms of reputed quart bottles instead of on the basis of actual number of bottles sold. This resulted in short levy of fixed licence fee of Rs.52,000.

The matter was reported to Government in July 1975; reply is awaited (February 1976).

Short levy of duty on export of Indian made foreign liquor and rectified spirit

39. Duty on foreign liquor and rectified spirit made in Uttar Pradesh and exported to any Union territory or State of India from any distillery, bonded warehouse or wholesale vendor in Uttar Pradesh was levied at 70 paise per litre with effect from 21st March 1974. Prior to this date, the rate of this duty was 15 and 25 paise per London proof litre of Indian made foreign liquor and rectified spirit respectively.

In the course of audit of three distilleries (Gorakhpur, Meerut and Muzaffarnagar), it was noticed (October 1974 to December 1974) that 23,028.8 and 1,18,899.4 litres of Indian made foreign liquor and rectified spirit respectively were issued from these distilleries for export to other parts of India (outside Uttar Pradesh) during the period 21st March 1974 to 26th March 1974. Duty on these issues was, however, charged at the old rates resulting in short levy of Rs.41.145.

On this being pointed out in audit (November 1974 and January 1975), Government stated (January 1976) that under-charge of Rs.40,156 had been recovered and the balance was still to be recovered (February 1976).

Non-levy of duty on excess wastage of spirit

40. Under the U. P. Excise Act and Rules, an allowance for the actual loss of spirit stored in a distillery during a calendar month is permissible subject to a maximum of one and a half per cent in respect of plain and rectified spirit. If the storage wastage exceeds this limit, duty is chargeable on excess wastage.

In paragraph 45 of the Audit Report on Revenue Receipts for the year 1973-74, a case of non-levy of duty on excess storage wastage in respect of a distillery of Ghaziabad was pointed out. Another such case of non-levy of duty on excess wastage of spirit in respect of a distillery of Meerut was noticed (November 1974). In this case while 5,56,000.8 and 6,68,850.4 litres of rectified spirit were stored in the distillery during the months of June and September 1974 respectively, the actual storage wastage amounted to 8,819.1 and 10,534.8 litres which worked out to 1.59 and 1.58 per cent respectively of the total spirit stored during those months. The officer-in-charge of the distillery treated these wastages as within the permissible limit of 1.5 per cent. The free wastage allowance at one and a half per cent, however, worked out to 8,340.0 and 10,032.8 litres and hence duty of Rs.39,244 was leviable on excess storage wastage of 981.1 litres.

On this being pointed out in audit (January 1975), Government stated (January 1976) that orders for levy of duty of Rs.19,164 in respect of the wastage for the month of June 1974 had been issued and that the wastage in the month of September 1974 was due to a dip-reading mistake which, when rectified, was found to be within the permissible limit of 1.5 per cent.

Loss of duty due to non-supply of bhang

41. Under the Uttar Pradesh Excise Act and Rules made thereunder, supply contractors are required to maintain, for the supply of the requirements of the retail vendors of the contract area, sufficient stock of *bhang* at each bonded warehouse of the contract area. For this purpose, minimum stock for each bonded warehouse has also been prescribed. On proof of payment of excise duty and cost price of *bhang*, a retail vendor is entitled to be supplied promptly with the quantity of *bhang* for which payment has been deposited by him. In the event of the contractor failing to supply *bhang* to the retail vendor, he is liable to a penalty upto double the rate of duty on *bhang* demanded but not supplied.

In three bonded warehouses, it was noticed in audit (March and April 1975) that 4,046 kgs. of *bhang* for the supply of which duty and cost price were deposited by retail vendors between March 1974 and March 1975 could not be issued to them on demand owing to stocks being insufficient, the delay in the supply ranged from one to three months. Had the minimum prescribed stock levels of *bhang* been maintained in the bonded warehouses in question and the supply of *bhang* made on demand, the Government would have earned excise duty of Rs.32,368. For this loss of excise duty, the maximum penalty which could be levied in this case was Rs.64,736; no penalty was, however, levied.

The matter was reported to Government in April and May 1975; reply is awaited (February 1976).

Short charge of duty on import of Indian made foreign liquor in Uttar Pradesh

42. Indian made foreign liquor may be imported by a person holding a licence for the vend of foreign liquor in Uttar Pradesh on payment of duty at the rates in force in Uttar Pradesh on such liquor. The rate of excise duty on Indian made foreign liquor in Uttar Pradesh was Rs.37 per litre upto 26th March 1974 and Rs.40 thereafter.

In the audit of three District Excise Offices (Varanasi, Meerut and Lucknow), it was noticed (May 1975 and June 1975) that 6,196 litres of Indian made foreign liquor were imported in Uttar Pradesh by three licensees during the period 29th March 1974 to 23rd October 1974, on which excise duty at the pre-revised rate of rupees thirty seven was realised instead of at the rate of rupees forty per litre. This resulted in short realisation of duty of Rs.18,588. On this being pointed out in audit (June and July 1975), Government stated (January 1976) that Rs.18,007 had since been recovered; information regarding recovery of the balance of Rs.581 is awaited (February 1976).

OTHER TOPICS OF INTEREST

Low yield of spirit from 'wash'

43. Under the Uttar Pradesh Excise Act and Rules, results of each single distillation are required to be gauged and proved immediately after it is completed with a view to seeing that spirit out-turn is commensurate with the 'wash' sent in for distillation and the 'wash' is thoroughly exhausted of its spirits. In order to ascertain the yield from a single distillation, the quantity of 'wash' distilled is to be multiplied by the degree of its 'attenuation' (the difference between the highest or initial gravity and the final or lowest gravity) which is then to be divided by 400 to give the maximum yield and by 500 to give the minimum yield. It has also been provided that the actual spirit out-turn should never be below the aforesaid prescribed minimum. However, there is no provision in the Act and Rules for levy of any fine or penalty in case the out-turn shown is less than the minimum prescribed.

In the audit (June 1975) of a distillery of Saharanpur District, it was noticed that the out-turn of spirit was short by 0.40 lakh litres (approximately) than the prescribed minimum in respect of 232.62 lakh bulk litres of 'wash' sent in for distillation during the period 14th May 1974 to 3rd April 1975; the minimum out-turn as per the prescribed formula should have been 10.73 lakh litres of spirit whereas the actual out-turn was 10.33 lakh litres only. No duty or penalty on this deficient out-turn could, however, be charged from the distillers on the ground that the Excise Act and Rules did not make any such provision. Consequently, the very purpose of prescribing a rate of production of spirit with reference to 'wash' is lost. The duty involved in this case on the spirit less produced is Rs.16.00 lakhs (approximately) (leviable at Rs.40 per litre).

The matter was reported to Government in July 1975; reply is awaited (February 1976).

Control of molasses and illicit distillation of alcoholic liquor from molasses

44. The bases for production of alcoholic liquor in India are mahua flower, rice, gur and molasses.

Molasses is a by-product in the manufacture of sugar. The heavy dark coloured viscous liquid produced in the final stage of manufacture of sugar by vacuum or open pan process from sugarcane or *gur* is called molasses. Molasses is mainly used for distillation of spirit or power alcohol; its other uses being for manufacture of yeast or glycerine for use in soaps and cattle feed. Spirit and power alcohol are obtained from molasses by first fermenting the liquid and then distilling the fermented liquid. Spirit is used for preparation of potable liquor and manufacture of chemicals such as Acetic acid, Formaldehyde, Butanol as well as for domestic use after denaturation.

Molasses to the extent of 73 to 85 per cent produced by sugar factories in this State is used for manufacture of spirit and power alcohol (the molasses produced by sugar factories during the alcohol years 1971-72, 1972-73 and 1973-74 were 3.38, 5.77 and 6.19 lakh tonnes respectively). One tonne of molasses gives a minimum out-turn of 365 proof litres of spirits, on which excise duty at the lowest rate comes to Rs.4,044, if sold as such for use within the State. Thus, molasses has considerable revenue potential and any misuse or wastage of molasses would result in heavy loss of revenue to the Government apart from helping indirectly illicit distillation.

The Uttar Pradesh Sheera Niyamtran Adhiniyam (1964) and the Rules made thereunder provide for the storage, supply, distribution, sale, removal, etc., of molasses produced by sugar factories. The Controller of Molasses regulates the distribution of molasses from each sugar factory to distilleries for purpose of distillation and also to industrial units, such as, foundry industry, yeast manufacturing concerns, tobacco manufacturing units, etc., for industrial purposes.

The aforesaid provisions, however, do not apply to molasses produced by the *khandsari* units, working on the open pan system. Substantial quantities of molasses could, thus, find its way to illicit distillers from *khandsari* units.

An enquiry conducted by the Special Investigation Branch of the Sales Tax Department, Uttar Pradesh, in 1973-74 revealed that the recovery percentage of molasses shown by certain sugar factories was far less than the normal percentage and that in more than 100 cases during 1968-72, sugar factories were found to have concealed a portion of the production of molasses and its sale in black.

The extent of the loss of excise revenue due to illicit distillation of alcoholic liquor from molasses cannot be determined for want of relevant data but it is clear from the quantity of liquor seized by the Excise Department (13,676 litres in 1962-63 and 30,830 litres in 1973-74) that illicit distillation and the consequent loss of excise duty are definitely on the increase.

The matter was reported to Government in October 1975; reply is awaited (February 1976).

Loss of molasses in transit and resultant loss of excise duty

45. The Uttar Pradesh Sheera Niyamtran Adhiniyam, 1964, and the Rules made thereunder do not provide for allowance of any wastage of molasses in transit. A test check of accounts of molasses maintained in

two distilleries (out of twenty three in the State) revealed that there was a short receipt of molasses of 5,725 quintals out of 2,99,160 quintals despatched during the period October 1974 to July 1975 and of 740 quintals out of 8,125 quintals despatched during the period July 1974 to July 1975. Although the rate of production of spirit from molasses varied according to varying percentage of sugar contents in molasses consumed, yet, on the basis of average yield of 365 proof litres per tonne of molasses, this quantity could have produced about 2.36 lakh proof litres of spirit involving a revenue of Rs.26.15 lakhs at the lowest rate.

The matter was reported to Government in September 1975; reply is awaited (February 1976).

CHAPTER IV
REVENUE DEPARTMENT

LAND REVENUE

Non-recovery of collection charges

46. Under the Revenue Recovery (Uttar Pradesh Amendment) Act, 1965, and the Rules framed thereunder, the dues of other Governments, semi-Government and local bodies are recoverable as arrears of land revenue by the District Collectors on receipt of recovery certificates from those authorities. In such cases, collection charges at the rate of 6¼ per cent are also to be recovered from the defaulters and credited to Government account.

During the audit of five collection offices and thirteen *tahsils* (July 1973—March 1975), it was noticed that such dues amounting to Rs.89.12 lakhs were collected by revenue authorities during the period from 1968-69 to 1973-74 on receipt of recovery certificates from other Governments, semi-Government and local bodies but collection charges amounting to Rs.5.57 lakhs which were also recoverable from the defaulters were not recovered.

On this being pointed out in audit (August 1973—April 1975), Government stated (December 1975) that Rs.0.94 lakh had been recovered and that efforts were being made to recover the balance amount.

Loss of land revenue as a result of non-distribution of gaon sabha land to the landless

47. As a result of the implementation of the Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950, and the Rules made thereunder, about 91 lakh acres of land vested in the *gaon sabhas*. Out of this land, about 61 lakh acres were set apart for planned use, such as, fisheries, *bazars*, *melas*, tanks, ponds, etc. About 4 lakh acres of the *gaon sabha* land were not fit for cultivation. The land available for distribution to the landless for agricultural purposes was, thus, nearly 26 lakh acres. It was to be distributed by the Land Management Committees formed under *gaon sabhas* according to the prescribed order of preference in such a way that the total holding of an individual did not exceed 3.125 acres. This land was distributed to the landless from time to time. But even then, according to information furnished by Board of Revenue, cultivable *gaon sabha* land measuring 1,23,618 acres, though available for distribution to the landless, had not actually been distributed as on 31st December 1974.

Land holdings upto 6.25 acres were exempted from payment of land revenue from 1st April 1971 to 30th June 1974. But this exemption was withdrawn from 1st July 1974 (1382 *fasli*). The result has been that Government have been losing land revenue from such *gaon sabha* land which could be distributed but has not been distributed. The non-distribution of 1,23,618 acres deprived the Government of land revenue amounting to Rs.6,92,260 during 1382 *fasli* (1974), calculated at the average rate of incidence of land revenue of Rs.5.60 per acre in Uttar

Pradesh. (This rate of incidence was applicable to 1972-73 and has been adopted for want of relevant data for later years).

The matter was reported to Government (September 1975); reply is awaited (February 1976).

Loss of land revenue as a result of non-distribution of Bhoodan land

48. The Uttar Pradesh Bhoodan Yajna Act, 1952, was passed with a view to procure land by donations through the *Bhoodan Yajna* and distributing the procured land to the landless. Under this Act, a corporate body called "*Bhoodan Yajna Samiti*" was established for Uttar Pradesh. This Committee was entrusted with the duty of administering and distributing all *Bhoodan* land. The Committee has intimated the following position (as on 31st March 1975) :—

Position at the end of the year	Land donated (in acres)	Land distributed (in acres)	Balance in hand (in acres)
1972-73	4,36,480	3,13,286	1,23,194
1973-74	Nil	631	1,22,563
1974-75	Nil	2,653	1,19,910

Year-wise figures of donations and distribution of *Bhoodan* land prior to the year 1972-73 were not furnished by the *Samiti* (July 1975).

The pace of distribution of *Bhoodan* land during 1973-74 and 1974-75 has been slow as a result of which Government have been deprived during 1382 *faisli* year (beginning from 1st July 1974) of land revenue amounting to Rs.6,71,496 calculated at the average rate of incidence of land revenue of Rs.5.60 per acre in Uttar Pradesh (applicable to the year 1972-73 and taken into account for want of relevant statistics for later years).

The Uttar Pradesh Bhoodan Yajna Act, 1952, has, however, been amended by the Uttar Pradesh Bhoodan Yajna (Amendment) Act, 1975 and the Collector has been authorised to grant *Bhoodan* land to the landless agricultural labourers where *Bhoodan* Committee fails to grant such land within a period of three years from the date of vesting of such land in the Committee or from the date of commencement of the Amendment Act, whichever is later. The Collector has also been authorised to cancel the irregular grant of *Bhoodan* land, if any, and direct delivery of possession of such land to the Committee after ejection of unauthorised occupants.

Government stated (October 1975) that every possible effort to distribute the cultivable *Bhoodan* land to the landless was being made so as to complete this work of distribution by February 1976.

Loss of revenue as a result of non-distribution of surplus land

49. Under the Uttar Pradesh Imposition of Ceilings on Land Holdings Act, 1960, land in excess of the ceiling limit specified in the Act is vested in the State. Government estimated that about four lakh acres of surplus land would be available as a result of implementation of this Act. Surplus lands taken over were to be distributed among landless labourers.

The following is the summary of the surplus land taken possession of, distributed and loss of revenue on the cultivable land not distributed (as per figures furnished by the Board of Revenue, Uttar Pradesh):—

Year ending	Surplus land over which possession taken (in acres)	Land distributed (In acres)	Cultivable land not distributed (In acres)	Yearly average rate of incidence of land revenue per acre in Uttar Pradesh	Loss of land revenue on cultivable land not distributed
1	2	3	4	5	6
				Rs.	Rs.
31-3-1970	1,96,933	1,28,138	34,886	5.80	2,02,338
31-3-1971	2,05,437	1,11,873	42,965	5.81	2,49,626
31-3-1972	2,14,654	1,06,168	24,209	} There was no loss of land revenue on land remaining undistributed from 1-4-1971 to 30-6-1974 because land-holdings up to 6.25 acres were exempt from land revenue.	
31-3-1973	2,01,162	1,09,985	39,867		
31-3-1974	2,06,133	1,17,346	36,255		
31-3-1975	2,00,654	1,31,865	31,510	5.60(a)	1,76,456(b)

The matter was reported to Government in September 1975. Government stated (October 1975) that the work of distribution of surplus land, which had been stopped from February 1975, had been resumed from September 1975.

Loss of land revenue as a result of non-distribution of land released by unauthorised occupants

50. Large tracts of land vested in *gaon sabhas* were occupied by unauthorised persons for want of required supervision of land management committees. Many of the allottees could not get possession of the land allotted to them as it was in the possession of unauthorised persons. Land under unauthorised possession was of the order of 2,82,591 acres as on 31st December 1974.

Land measuring 2,04,454 acres had, however, been got released from unauthorised occupants but only 1,76,355 acres of land out of it were let out on *sirdari pattas* by 31st December 1974; 28,099 acres of land got released from unauthorised occupation, thus, remained undistributed to the landless. This deprived the Government of land revenue of Rs.1,57,354 during 1382 *fasli* year (beginning from 1st July 1974) on the basis of the following:—

(a) The average rate of incidence of land revenue in Uttar Pradesh was Rs.5.60 per acre in 1972-73 and the same has been taken for want of statistics for later years.

(b) No land holding was exempt from land revenue from 1st July 1974.

On this being pointed out in audit (September 1975), Government stated (December 1975) that all the *gaon sabha* land, available for distribution, would be distributed by the end of February 1976.

(a) The yearly average rate of incidence of land revenue for 1974-75 has been taken as Rs.5.60 per acre on the basis of 1972-73 figures as the relevant statistics for later years are not available.

(b) Loss of revenue calculated for 1974-75 is based on the anticipated loss for the entire 1382 *fasli* (1974).

Non-assessment of land revenue on grove land brought under cultivation

51. Under the U. P. Zamindari Abolition and Land Reforms Act, 1950, and the Rules framed thereunder, 'grove' land remains conditionally exempted from the payment of land revenue for as long as there are trees on the land in such number that they preclude the land from being used for cultivation. If the grove land is cultivated or the trees have been cut down or have decayed, even though the land may not have been brought under cultivation, the land revenue is leviable by the Collector at the sanctioned rent rates applicable to hereditary tenants. For this purpose, the continued existence and the condition of the groves is to be reported annually by the Supervisor Kanungo to the Tahsildar who, in turn, has to bring to the notice of the Collector such cases where land revenue, in his opinion, ought to be imposed.

It was noticed in the course of audit of a *tahsil* in Allahabad District (May 1973) that as per records of the *lekhpals*, grove land in a number of villages was brought under cultivation but no land revenue was assessed and realised thereon. On this having been pointed out in audit (June 1973), the department assessed such grove lands during November 1974 to March 1975 and levied land revenue amounting to Rs.8,742 in 261 cases and proposed to levy a land revenue of Rs.1,288 in 32 cases, for the period varying from 1370 *fasli* to 1382 *fasli* (July 1962 to June 1975).

Besides, in the course of audit of a *tahsil* of Kanpur District (April 1975—May 1975), it was noticed that 770 groves, comprising an area of 1,255 acres in 158 villages, were exempted from payment of land revenue but the annual verification by Supervisor Kanungo, as required under the Rules, was not conducted. Consequently, these groves remained exempted from payment of land revenue. A test check of Lekhpal's records of 19 villages in this *tahsil* revealed that 75 per cent of the total grove land in those villages was actually under cultivation since 1374 *fasli* (July 1966). Taking this as a basis, the possible loss of land revenue would amount to Rs.55,000 approximately.

On this being pointed out in audit, Government stated (December 1975) that Rs.9,561 had been recovered (Allahabad District) and that notices had been issued to the land holders and assessments were in progress (Kanpur District).

Non-levy of land revenue on allottees of surplus gaon sabha land

52. In the audit (June 1974) of a *tahsil* in district Pilibhit, it was noticed that of the surplus *gaon sabha* land, land measuring 532 acres, allotted to 152 cultivators as early as in 1365 *fasli* (1957), had not been transferred in their names in the revenue records. As a result, no land revenue could be realised from them (November 1975). At the average circle rate of Rs.5 per acre for the period 1365 *fasli* (1957) to 1377 *fasli* (1969) [from 1378 *fasli rabi* (1970) until 1381 *fasli* (1973), land holdings up to 6.25 acres were exempted from payment of land revenue], land revenue not realised is estimated at Rs.34,580.

The matter was reported to Government in August 1974. Government stated (November 1975) that the district authorities were being instructed to realise the outstanding dues.

Incorrect determination of land revenue

53. It was noticed in the course of audit of a *tahsil* in district Mirzapur (March 1973) that 22 persons were admitted as 'Sirdars' in three villages during the period 1360 *fasli* to 1363 *fasli* (July 1952 to June 1956).

The land revenue in their cases was determined at a rate lower than the hereditary rate (*i.e.*, rate fixed in the last settlement in 1941) whereas according to the provisions of the U. P. Zamindari Abolition and Land Reforms Act, 1950, it should have been computed at the hereditary rate. This resulted in short assessment of land revenue of Rs.11,060 during the period 1360 *fasli* to 1380 *fasli* (July 1952 to June 1973).

Of the 22 persons mentioned above, 7 persons acquired 'bhumidhari' rights during 1378 *fasli* to 1380 *fasli* by depositing an amount equal to 20 times of the land revenue. Land revenue in their cases having been determined at a lower rate, the amount so deposited by them for acquiring *bhumidhari* rights was also short by Rs.6,333. The total short realisation, thus, amounted to Rs.17,393 (Rs.11,060 + Rs.6,333).

On this being pointed out in audit (April 1973), Government stated (December 1975) that Rs.6,492 had been recovered and that efforts for recovery of the balance amount were in progress.

Under-assessment of land development tax

54. Under the U. P. Land Development Tax Act, 1972, land development tax was levied from the agricultural year commencing on 1st July 1971. In respect of the agricultural year 1971-72 (1379 *fasli*) only half of the tax was to be charged. The rate of tax leviable on *bhumidhars* and *sirdars* who held land in Uttar Pradesh in excess of 12.5 acres was 150 per cent of the land revenue (upto 30th June 1974).

It was noticed in audit of ten *tahsils* (April 1974 to January 1975) that land revenue, assessed for the agricultural year 1379 *fasli* (*rabi*) (April 1972 to June 1972) and 1380 *fasli* (July 1972—June 1973) in respect of land holders whose land holdings exceeded 12.5 acres, was Rs.5.24 lakhs and Rs.13.83 lakhs respectively. The land development tax thereon at the rate of 150 per cent for those years worked out to Rs.7.86 lakhs and Rs.20.75 lakhs but it was assessed at Rs.6.46 lakhs and Rs.17.66 lakhs respectively. Thus, there was a total under-assessment of land development tax of Rs.4.50 lakhs in these cases.

On this being pointed out in audit, Government stated (December 1975) that land development tax short levied had been realised in respect of five *tahsils* and that the amount would be recovered in the current recovery year from the remaining five *tahsils*.

Non-assessment of land development tax

55. Under the U. P. Land Development Tax Act, 1972, land development tax was levied from the agricultural year commencing on 1st July 1971 on the land holders who held land in Uttar Pradesh in excess of 3.125 acres. In respect of the agricultural year 1971-72 (1379 *fasli*), only half of the tax was to be charged. For the purpose of allowing exemption, the total land holding in Uttar Pradesh of a non-resident tenure-holder was to be ascertained in accordance with the procedure laid down in the U. P. Zamindari Abolition and Land Reforms Rules, 1952, by making a reference to the authorities of the *tahsil* where he resided.

It was noticed in the course of audit (May 1975) of a *tahsil* in Ghazipur District that on receipt (in 1381 *fasli*) of details of land holding in respect of certain tenure-holders who were previously allowed exemption, it had been found that their land holdings exceeded the exemption limit, and land development tax amounting to Rs.11,800 for 1381 *fasli* was levied thereon. However, no demand was raised for the years 1379 *fasli*

(50 per cent) and 1380 *fasli* even though the size of their holdings for the years was the same as that in 1381 *fasli*. This resulted in short assessment of land development tax of Rs.17,700.

When this was reported to Government in June 1975 it was stated (November 1975) that the amount would be realised during the current *fasli* year.

Non-levy of land development tax in non-zamindari abolition areas

56. The rules framed under the Uttar Pradesh Land Development Tax Act, 1972, provide for the levy of land development tax in those areas also which are not covered by the provisions of the U. P. Zamindari Abolition and Land Reforms Act (*viz.*, areas which on 7th July 1949 were included in municipalities, notified areas, cantonments and town areas). It was, however, noticed in the course of audit of four *tahsils* of Meerut District (May 1975 to July 1975) that the land development tax leviable in areas not covered by the U. P. Zamindari Abolition and Land Reforms Act in these *tahsils* was not levied for the period 1379 *fasli* (*rabi*) to 1382 *fasli* (1st April 1972 to 30th June 1975). This amounted to Rs.16,000 approximately.

The matter was reported to Government (June 1975 to August 1975); reply is awaited (February 1976).

Non-assessment of land development tax on sirdars

57. It was noticed in the audit of a *tahsil* in district Allahabad (April 1975) that during the course of consolidation operations in 105 villages of the *tahsil*, the unauthorised occupants of certain plots of lands were admitted as 'sirdars' in respect of the holdings with liability to pay arrears of land revenue with retrospective effect from the date of their occupation. While the demand in respect of land revenue was duly created, no assessment was done with regard to land development tax which was also leviable in these cases with effect from 1st April 1972. The land development tax leviable in these cases for the period 1st April 1972 to 30th June 1975 works out to Rs.6,565.

On this being pointed out in audit (June 1975), Government stated (December 1975) that land development tax of Rs.6,565 would be recovered during the current recovery season.

Non-collection of execution expenses

58. Under the U. P. Zamindari Abolition and Land Reforms Act, 1950, and the Rules framed thereunder, if a land vested in *gaon sabha* is wrongfully occupied by any person, the Collector may, on a report from the Chairman, Secretary or any member of the Land Management Committee, or on facts coming to his notice otherwise, issue a notice to the person concerned to vacate the wrongful occupation and pay such damages as may be determined within a period not exceeding 15 days. In case the occupier files any objection and the Collector holds that the objection is not valid, he shall pass final orders. If these orders are not complied with, orders for ejection of the person in wrongful occupation of the land and for recovery of compensation for such wrongful occupation together with the expenses of the executing officer are to be passed by the Collector and warrant of execution issued. The expenses of execution include the pay and travelling allowance of staff deputed for this purpose. The compensation recovered is credited to Gaon Sabha Fund and the cost on account of pay and travelling of the staff is credited to Government account.

It was noticed in audit (May 1973 to January 1975) of 23 *tahsils* that warrants of execution were issued in 1,05,014 cases during the period October 1969 to December 1974, but the execution expenses were not recovered. The warrants of execution are usually executed by an *Amin* whose minimum fee for execution is prescribed as Rs.3 per case in the Revenue Court Manual. On this basis, an amount of Rs.3,15,042 was recoverable in the aforementioned cases.

On this being pointed out in audit (June 1973 to February 1975), Government ordered recovery of execution expenses. According to the department (November 1975) Rs.55,759 had since been recovered. Recovery of the balance amount of Rs.2,59,283 is awaited (February 1976).

Irregular refund of amounts deposited for acquiring bhumidhari rights

59. Under the Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950, as amended, a *sirdar* can acquire *bhumidhari* rights if he pays to the credit of the State Government an amount equal to twenty times (ten times until June 5, 1969) of the land revenue payable or deemed to be payable on the date of application. There is no provision in the rules for making refund of the amount deposited by a *sirdar* for acquiring *bhumidhari* rights.

However, it was noticed in audit of two *tahsils* of Etawah District (June 1975 to July 1975) that a sum of Rs.11,988 deposited by *sirdars* for acquiring *bhumidhari* rights during the period June 1964 to September 1973 was irregularly refunded to them during the period February 1966 to June 1975 on their request.

The matter was reported to Government in July 1975; reply is awaited (February 1976).

Non-recovery of consolidation dues

60. Under section 33(1) of the Uttar Pradesh Consolidation of Holdings Act, 1953, the cost of consolidation, as fixed by the State Government, is recoverable from the persons benefited by consolidation. Consolidation work in Saidpur (old) *tahsil*, district Ghazipur, was completed in November 1964 and *Zamabandis* (Demand Registers) for Rs.9.99 lakhs were handed over by the Settlement Officer (Consolidation) to the Tahsildar, Saidpur, for recovery of the said amount from the beneficiaries. In September 1966, the Tahsildar reported to the Consolidation Officer that *Zamabandis* involving outstanding dues to the extent of Rs.0.89 lakh were eaten away by white ants. Departmental investigations, however, revealed in July 1972 (after about 6 years) that *Zamabandis* of 246 villages involving recovery of Rs.0.47 lakh were available in the *tahsil*. The remaining *Zamabandis* involving Rs.0.42 lakh were, however, not available.

According to the Settlement Officer (August 1974), *Zamabandis* for Rs.0.42 lakh could not be prepared afresh as *Siaha* supplements (a treasury record showing the amount already recovered) were also missing from the treasury. Government dues to the extent of Rs.0.42 lakh, thus, became irrecoverable.

An amount of Rs.3,000 was recovered (May 1975) against Rs.0.47 lakh. The *Zamabandis* relating to which were traced in September 1972.

The matter was reported to Government in October 1974. Government stated (July 1975) that orders had been issued for preparation of fresh *Zamabandis* and for awarding punishment to those found guilty.

Irregular leases

61. On receipt of complaints regarding grant of irregular leases by the *gaon sabhas*, Government ordered in 1967 for investigation into such leases given between 1st October 1964 and 30th September 1967. The results and progress thereof as on 31st March 1974 and as on 31st March 1975 are given below:—

Particulars	Numbers		Acreage	
	As on 31st March 1974	As on 31st March 1975	As on 31st March 1974	As on 31st March 1975
1. Leases examined	3,30,571	3,30,571	5,38,728	5,38,728
2. Leases found irregular	1,87,751	1,87,751	3,13,938	3,13,938
3. Cases filed for the cancellation of irregular leases	1,77,900	1,77,900	3,10,327	3,10,327
4. Cases decided in all (out of item 3)	1,76,758	1,77,047
5. Cases decided in which leases were cancelled (out of item 4.)	1,28,655	1,29,046	2,20,154	2,20,360

It would be seen from the foregoing table that—

(i) about 39 per cent of the leases examined were declared illegal by the courts;

(ii) 9,851 cases were not filed at all for cancellation in respect of leases found irregular. There was no progress in this direction during 1974-75.

(iii) Data regarding ejection of cancelled lease holders and further distribution of the land (2,20,360 acres) held by them to the landless were not available with the Board of Revenue (November 1975).

The matter was reported to Government in September 1975; reply is awaited (February 1976).

Unrecovered damages from unauthorised occupants

62. The Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950, and the Rules made thereunder contain provisions for recovery of damages (5 to 20 times of the amount of rent computed at hereditary rates for each year of wrongful occupation) from the unauthorised occupants ejected. In case the possession is retained even after the order of ejection, the unauthorised occupants are liable to pay one-eighth of the assessed damages for every month of continued occupation after the date of the order. The following table indicates the position of damages levied, realised and arrears as on 30th June 1974:—

	Rs.			
1. Damages levied	1,37,51,421
2. Damages recovered	6,22,894
3. Balance	1,31,28,527
4. Amount of recovery stayed by courts	2,62,206
5. Arrears	1,28,66,321

Under the Uttar Pradesh Zamindari Abolition and Land Reforms Act, 1950, every *gaon panchayat* in the district shall pay to Government annually such contribution not exceeding fifteen per cent (enhanced to twenty-five per cent from 16th July 1975) of the total amount credited to the Consolidated Gaon Fund (which includes the amount of damages or compensation realised from unauthorised occupants) as may be fixed by the Collector. Thus, the Government has not had the benefit of the contribution from the Gaon Sabha Fund to the extent it relates to the unrecovered damages from unauthorised occupants.

On this being pointed out in audit (September 1975), Government stated (October 1975) that all possible efforts were being made to realise the entire amount expeditiously.

CHAPTER V
POWER DEPARTMENT
ELECTRICITY DUTY

Results of test audit in general

63. During the period 1974-75, test audit of documents of the departmental officers and electricity supply licensees revealed non-levy/short levy of electricity duty and non-realisation of inspection fees, etc., to the extent of Rs.40.89 lakhs broadly categorised as follows:—

Nature of irregularity	No. of items	Amount (in lakhs of rupees)
1. Non-levy of electricity duty on energy consumed by non-government bodies and on industrial consumption of energy	4	3.26
2. Non-realisation of interest due on late deposit/non-deposit of electricity duty	10	19.74
3. Non-realisation of inspection fee	11	3.67
4. Line losses of energy	12	6.05
5. Short charge of electricity duty due to levy of incorrect rates	18	3.07
6. Grant of irregular exemption from payment of electricity duty	11	1.06
7. Miscellaneous	15	4.04
Total	81	40.89

Some important cases have been detailed in the following paragraphs of this chapter.

Non-realisation of interest due to delay in payment/non-payment of electricity duty

64. Under the Uttar Pradesh Electricity (Duty) Act and Rules, electricity duty is payable to the State Government by the licensee, the U. P. State Electricity Board and other persons consuming energy from their own source of generation within two calendar months following the close of the month in which meter readings were recorded. If the amount of electricity duty is not paid within the aforesaid period, interest is chargeable at 18 per cent per annum on the amount of duty remaining unpaid. Such interest is payable to the State Government within seven days of the close of each month for which interest becomes chargeable.

It was noticed (August 1974 to July 1975) in the course of audit of five units (four offices of Assistant Electrical Inspector to Government at Lucknow, Allahabad, Meerut and Kanpur and one licensee of Mirzapur) that electricity duty payable from May 1971 onwards was either deposited late or not deposited at all till the last date of audit. The interest due but not recovered for not depositing the electricity duty within the prescribed time amounted to Rs.19.27 lakhs at the prescribed rate of 18

per cent per annum (Rs.2.50 lakhs on duty deposited late and Rs.16.77 lakhs on duty not deposited till the last date of audit). Interest payable by Kanpur Electric Supply Administration, a unit of the U. P. State Electricity Board, alone amounted to Rs.11.93 lakhs for non-payment till 31st July 1975 of electricity duty of Rs.1.09 crores payable by it during the period June 1974 to June 1975.

The matter was reported to Government during October 1974 to July 1975; reply is awaited (February 1976).

Non-levy of electricity duty on energy consumed by non-government bodies

65. According to section 3 of the U. P. Electricity (Duty) Act, 1952, electrical energy consumed by State/Central Government is exempt from payment of electricity duty. Autonomous bodies are, however, not exempt from levy of electricity duty as they are not departments of Government. Where the electrical energy is supplied by the State Electricity Board, electricity duty is payable direct to the State Government by the authorities appointed in this behalf by the State Government with the concurrence of the Board.

It was noticed in audit (August 1974 and March 1975) that two autonomous organisations (Indian Drugs and Pharmaceuticals Limited and Indian Institute of Petroleum) did not pay electricity duty aggregating Rs.2.75 lakhs on energy consumed by them during the period June 1969 to January 1975. On this being pointed out in audit, Government stated (December 1975) that a sum of Rs.0.21 lakh had been recovered (June 1975). Particulars of recovery of the balance are awaited (February 1976).

Unauthorised enhancement of energy charge resulting in short realisation of electricity duty

66. (a) The State Government approved the rate of energy charges at 38 paise per unit for light and fan in respect of supply of electrical energy by a Municipal Electric Supply Undertaking with effect from 1st April 1971. The electricity duty leviable on 38 paise per unit of energy charge was 2 paise per unit.

It was, however, noticed (February 1975) that in contravention of the aforesaid order of Government, the undertaking levied and realised energy charge at 39 paise per unit during the period April 1971 to December 1971. On energy charge of 39 paise, electricity duty at one paise only per unit was leviable and realised. This resulted in short levy of electricity duty of Rs. 0.88 lakh.

The matter was reported to Government in April 1975; reply is awaited (February 1976).

(b) Under the Electricity (Supply) Act, 1948, the State Electricity Board is empowered to direct, with the prior approval of the State Government, the tariff policies of any licensee which is a local authority, and the latter shall have to give effect to any directions given by the Board.

In the case of a licensee, it was noticed (February 1975) that the U. P. State Electricity Board approved the rate of energy charge at 31 paise per unit for domestic power with effect from 1st March 1973 in respect of supply of energy by the said undertaking and on which electricity duty at 6 paise per unit was leviable. The licensee, however, billed its consumers at the rate of 36 paise per unit as energy charge and 4 paise per unit as electricity duty. This resulted in short levy of electricity duty of Rs.0.50 lakh during the period March 1973 to December 1974.

The matter was reported to Government in April 1975; reply is awaited (February 1976).

Short levy of electricity duty on energy sold for road lighting purposes

67. The Mussoorie Dehra Hydro Electric Undertaking, Dehra Dun, revised their tariff and increased the rate of energy charges for road lighting with effect from 1st April 1972 and again from 1st January 1973. Electricity duty, at 25 per cent of energy charges, however, continued to be levied at the pre-revised rates of energy charges resulting in short levy of electricity duty of Rs.85,740 during the period 1st April 1972 to 31st December 1974.

On this being pointed out in audit (April 1975), Government stated (February 1976) that Rs.69,767 had been realised. Report regarding recovery of the balance is awaited (February 1976).

Non-levy of duty on industrial consumption of energy

68. Electricity duty is leviable at the rate of one paisa per unit on consumption of energy for industrial or motive power purposes at medium, high or extra-high voltage with effect from 1st September 1970.

In the course of audit, it was noticed (August 1974 and March 1975) that electricity duty amounting to Rs.50,454 was not levied and realised on supply of such energy by two licensees during the period September 1970 to February 1975.

The matter was reported to Government in September 1974 and April 1975; reply is awaited (February 1976).

Non-levy of electricity duty on the element of surcharge

69. Under section 3 of the U. P. Electricity (Duty) Act, 1952, electricity duty is leviable at a rate not exceeding 25 per cent of the rate charged. According to section 2(h)(v) of the Act, 'rate charged' includes any 'surcharge' on the rate(s) whether imposed by the licensee, Board, the State Government or the Central Government. It was noticed in audit (November 1974) that a licensee of Aligarh District did not include the element of surcharge (in the rate charged) for calculating electricity duty during the period December 1967 to June 1974. This resulted in short levy of duty amounting to Rs.42,380.

The matter was reported to Government in January 1975; reply is awaited (February 1976).

Non-realisation of electricity duty on energy consumed by a person from his own source of generation

70. Under section 3 of the U. P. Electricity (Duty) Act, 1952, electricity duty is leviable on energy consumed by a person owning and operating a generator at the rate of one paisa per unit with effect from 1st September 1970. In the course of audit of an office of the Assistant Electrical Inspector, it was noticed (November 1974) that electricity duty amounting to Rs.37,374 for the period from November 1973 to May 1974 was not realised from a person consuming energy having his own source of generation of electricity.

Besides, interest amounting to Rs.3,480 also became due to Government till 31st October 1974 for non-payment of electricity duty within the prescribed period.

The matter was reported to Government in December 1974; final reply is awaited (February 1976).

Non-realisation of inspection fees

71. The Indian Electricity Rules, 1956 require the Electrical Inspector of Government to inspect periodically the consumers' electrical installations connected to the supply system of the suppliers (other than those in mines, oil fields and railways) and the electric supply lines or apparatus belonging to the suppliers before commencement of supply of energy at high or extra-high voltage to any consumer. In both cases, such inspections are to be carried out on payment, in advance, of fees by the consumers/suppliers of energy at rates to be specified by the State Government from time to time.

It was noticed in the course of audit (October to December 1974) that in four zones, inspections could not be carried out since inspection fee amounting to Rs.2.68 lakhs had not been deposited. Non-inspection of these installations had increased the chances of electrical hazards.

In the course of test audit of another zone, it was noticed (August 1974) that fee demand notices in respect of 32 high tension installations due for annual inspection during the year 1973 were not issued to the consumers, as required under rules. Thus, inspection fee amounting to Rs 7,710 could not be realised from the consumers and the periodical inspection of their installations due for the year 1973 could not take place. This resulted in loss of revenue of Rs.7,710.

When this was pointed out in audit (October 1974 to February 1975), Government stated (October 1975) that Rs.0.61 lakh had since been recovered in the first case. Information regarding recovery of the balance of Rs.2.07 lakhs is awaited (February 1976). As regards the second case, Government stated (November 1975) that inspection of the electrical installations could not be done during 1973 for various reasons.

CHAPTER VI

TRANSPORT DEPARTMENT

TAXES ON VEHICLES, GOODS AND PASSENGERS

Results of test audit in general

72. Cases of short charge of Rs.1,07.87 lakhs (approximately) in respect of taxes on motor vehicles, goods and passengers were pointed out to the Transport Department on test audit of the records of the Regional Transport Offices during 1974-75. Category-wise break-up thereof is given below:—

<i>Category of receipt</i>	<i>Amount</i> <i>(In lakhs of rupees)</i>
1. Non-levy and short levy of Passenger Tax (including additional passenger tax)	... 95.35
2. Under-assessment of Goods Tax	... 7.36
3. Under-assessment of Road Tax (including additional road tax)	... 4.89
4. Non-levy and short levy of Permit fee	... 0.27
Total	... 1,07.87

A few important cases are mentioned in the following paragraphs of this chapter.

Short assessment of road tax due to exclusion of standing capacity

73. Under the U. P. Motor Vehicles Taxation Rules, 1935, the assessment of road tax of a transport vehicle plying for hire depends upon the number of passengers which it may be permitted to carry. Under the U. P. Motor Vehicles Rules, 1940, a registering authority may permit a limited number of standing passengers to be carried by a transport vehicle. Thus, the number of passengers permitted to be carried by a vehicle would include both the authorised seating and standing capacity of the vehicle. However, Schedule I of the U. P. Motor Vehicles Taxation Act, 1935, provides for the levy of road tax only on the basis of seating capacity of the vehicle. This precludes the levy of tax on the authorised standing capacity of the vehicle and is, thus, not in conformity with the provisions of the aforementioned rules. The lacuna is further highlighted by the fact that under the Uttar Pradesh Motor Gadi (Yatri-kar) Niyamawali, 1962, fifty per cent of the standing capacity in a vehicle is taken into account for the purposes of calculation of passenger tax payable under the lump sum agreement.

In the course of audit of three Regional Transport Offices (October, November and December 1974), it was noticed that the road tax in the case of 120 stage carriages, which had authorised standing capacity of six persons, was charged on the basis of seating capacity only. The short levy of road tax owing to exclusion of standing capacity of six passengers in the assessment of these vehicles works out to Rs.2.08 lakhs during the period January 1971 to December 1974.

When the matter was reported to Government (November 1974 and February 1975), they stated (July 1975) that the comments of the Transport Commissioner in this regard were being obtained. The Government have since promulgated an ordinance called "The U. P. Motor Vehicles Taxation Law's Amendment Ordinance" in October 1975 which provides, *inter alia*, that fifty per cent of the sanctioned standing capacity in a passenger bus shall be reckoned as additional seating capacity for the purpose of road tax.

Short levy of road tax and goods tax

74. In November 1971, the State Transport Authority by a resolution increased from January 1972 the authorised pay load for heavy public carriers on certain specified routes in Naini Tal, Pithoragarh and Almora Districts from 37.5 quintal to 55 quintals. This was also notified by the Secretary, Regional Transport Authority, Naini Tal, in December 1971. The notification required the operators to get the alteration in carrying capacity recorded in the registration certificates and pay the difference of road tax and goods tax as a result of the enhanced pay load. The operators challenged this order in the High Court and the Court, in its judgement (August 1973), upheld the resolution passed by the State Transport Authority.

It was noticed during audit of the Assistant Regional Transport Office, Haldwani, district Naini Tal (November 1973) that even after the decision of the Allahabad High Court the Assistant Regional Transport Officer had not taken any action to authorise the increase in the pay load in the registration certificates of 96 vehicles plying on the aforementioned routes. This resulted in under-assessment of road tax and goods tax of Rs.46,548 and Rs.89,471 respectively during the period January 1972 to December 1973.

On this being pointed out in audit (March 1974), Government stated (December 1975) that out of 96 vehicles, assessment had been completed in respect of 34 vehicles and that the road tax and goods tax amounting to Rs.7,946 and Rs.9,147 had been realised from 16 vehicles.

Non-levy of additional tax on contract carriages

75. Under the U. P. Motor Gadi (Yatri-kar) Adhiniyam, 1962, as amended by the U. P. Taxation Laws (Amendment) Act, 1972, an additional tax at the rate of ten paise per passenger carried by a stage carriage (other than the stage carriage plying exclusively within the city or municipal limits) was leviable with effect from 15th November 1971 for each journey where the fare for such journey was not less than one rupee. This additional tax, in the case of contract carriage, was to be levied in respect of the number of passengers for whom accommodation was provided in the contract carriage irrespective of the actual number of passengers carried. According to the Motor Vehicles Act, 1939, a stage carriage becomes a contract carriage when it plies under special permits for reserve or marriage parties.

In the course of audit of two Regional Transport Offices, Bareilly and Allahabad (December 1973 and April 1974 respectively), it was noticed that 8,021 special permits for marriage or reserve parties were issued during January 1972 to December 1973 in one Regional Office (Bareilly) and 6,300 such permits were issued during January 1972 to April 1974 in the other Regional Office (Allahabad). In the former office, additional tax had not been levied at all, whereas in the latter case it was charged for single journey only instead of both the onward and return journeys.

Taking the average seating capacity of a vehicle as 50, the additional tax realisable from the contract carriages referred to above for each trip was Rs.5 per permit. Thus, the total additional tax, not levied on the aforementioned permits, worked out to Rs.1,11,710 (Rs.80,210 + Rs.31,500).

When this was pointed out in audit (March and June 1974), the department stated (September 1975) that when a consolidated fare is charged for onward and return journeys by a contract carriage, the whole trip should appropriately be treated as a single journey for the purpose of levy of additional tax. There is no definition of 'journey' in the U. P. Motor Gadi (Yatri-kar) Adhiniyam, 1962, and the rules framed thereunder. However, even assuming but without conceding that department's view is correct, the loss on account of non-levy of additional tax in Bareilly Region would work out to Rs.40,105.

Government stated (December 1975) that in Bareilly Region a sum of Rs.17,258 had been recovered and that efforts were in progress for recovery of the balance amount.

Non-levy of passenger tax on special permits

76. In September 1969, the Transport Commissioner issued instructions to the effect that no passenger tax should be charged in cases where stage carriages, paying passenger tax under a lump sum agreement, plied on special permits for short spells (2-3 days) for carriage of marriage or reserve parties. These instructions were passed on the consideration that such stage carriages, during the currency of permits, were paying passenger tax under the lump sum agreement despite the fact that they were not operating on their approved routes.

In the course of audit of two Regional Transport Offices (January 1974 and February 1974) where 8,258 special permits of short spells (2-3 days) for carriage of marriage or reserve parties were issued during the period from January 1973 to December 1973 to such stage carriages as were paying passenger tax under the lump sum agreement, it was noticed that the contract carriages or the stage carriages which did not pay passenger tax on lump sum agreement had, in respect of such permits, on an average, paid Rs.100 as passenger tax. Passenger tax payable under the lump sum agreement for the period covered by special permit was estimated not to exceed Rs.50 per special permit. The loss of passenger tax not charged for special permits given to transport operators paying passenger tax under lump sum agreements was, thus, estimated at Rs.4,12,900 on 8,258 special permits at the rate of Rs.50 per special permit. On this being pointed out in audit, the Transport Commissioner issued, revised instructions in September 1974 for realising the deficit passenger tax in such cases in future.

The matter was reported to Government in May 1974; reply is awaited (February 1976).

Short levy due to lesser number of trips taken for calculating lump sum passenger tax

77. Under the Uttar Pradesh Motor Gadi (Yatri-kar) Adhiniyam and Niyamawali, 1962, if an operator opts for payment of passenger tax on lump sum basis instead of on way bill basis (on the basis of actual number of passengers carried), the quantum of lump sum is to be worked out, *inter alia*, with reference to the number of one-way trips allowed by the Regional Transport Authority.

It was noticed in audit that though a Regional Transport Authority had increased the number of trips to be undertaken by the stage carriages on a specified route in June 1974, the quantum of the lump sum for purposes of passenger tax in respect of 23 stage carriages plying on that route under the lump sum agreements during the period July 1974 to March 1975 was, however, determined on the basis of trips as sanctioned prior to the aforesaid increase. This resulted in under-assessment of passenger tax of Rs.82,000.

The matter was reported to Government (April 1975); final reply is awaited (February 1976).

Loss of passenger tax due to delay in sanctioning increased services

78. Under the Uttar Pradesh Motor Gadi (Yatri-kar) Adhiniyam, 1962, and Rules framed thereunder, the amount of passenger tax payable under lump sum agreement is directly proportional to the number of one-way trips sanctioned by the Regional Transport Authority.

In the course of audit (May 1975) of a Regional Transport Office, it was noticed that on the basis of survey of a particular route, the Regional Transport Officer recommended to the Regional Transport Authority in May 1973 an increase in the number of return trips from 7 to 8 per day (i.e., from 14 one-way trips to 16 per day) in respect of 9 stage carriages plying on that route on lump sum agreement basis. This proposal was finally approved by the Regional Transport Authority in May 1974, i.e., one year after the submission of the proposal. The Motor Operators' Union concerned submitted a revised time table in June 1974 following the increase in the number of sanctioned trips on the route. The Regional Transport Authority's approval of these revised timings was communicated to the Motor Operators' Union at the end of September 1974 and the number of services was actually increased with effect from October 1974. The realisation of passenger tax on the basis of increased number of trips, thus, could not begin before October 1974.

The matter was reported to Government (July 1975); final reply is awaited (February 1976).

OTHER TOPICS OF INTEREST

Loss of revenue owing to non-levy of additional tax on passengers

79. The Uttar Pradesh Motor Gadi (Yatri-kar) Adhiniyam, 1962, provides for the levy of passenger tax at the rate of 15 per cent of the fare. The passenger tax is realised from the operators of stage carriages either on a way bill basis (determined from the returns submitted by them showing the actual number of passengers and the fare charged from them individually) or on the basis of agreements entered into with the operators who agree to pay a pre-determined lump sum in lieu of passenger tax.

An additional tax on every passenger at the rate of 10 paise per journey, where the fare for such journey was not less than Re.1, was imposed with effect from 15th November 1971 by the Uttar Pradesh Taxation Laws (Amendment) Ordinance, 1971, which later became an Act in 1972. The collection of additional tax on way bill basis presented no difficulty because the returns submitted by the way bill operators specifically showed the additional tax payable by them. However, the lump sum operators were not obliged to submit any return and the determination of additional tax to be realised from them posed a problem. Some of them could be

persuaded to give returns showing the number of tickets issued for each journey priced at Re.1 or more and to pay the additional tax accordingly. But since there was no legal obligation for the 'lump sum' operators to do so, the realisation of additional tax from every 'lump sum' operator was not possible. To meet this situation two notifications were issued on 17th April 1974 under which, the case of lump sum agreements entered into between 15th November 1971 and 16th April 1974, additional tax was to be levied at the rate of 25 per cent of the lump sum passenger tax, and in cases where agreements were entered into from 17th April 1974, the additional tax was to be levied according to a prescribed formula.

In the course of audit of one Regional Transport Office (February to March 1973), it was observed that 168 lump sum operators had altogether escaped assessment to additional tax. The resultant loss to the Government for the period 15th November 1971 to 16th April 1974 worked out to about Rs.7.31 lakhs, calculated at the rate of 25 per cent of the passenger tax paid by the operators for the period. In the course of audit of three other Regional Transport Offices (May 1974, December 1974 and February 1975), it was noticed that the amount of additional tax actually realised from 'lump sum' operators for the period 15th November 1971 to 16th April 1974 fell short of the amount realisable at the rate of 25 per cent of the lump sum passenger tax paid for the period by these operators by about Rs.41.19 lakhs. This short levy could not be recovered as the notification (covering the period from 15th November 1971 to 16th April 1974) was challenged by some operators in the High Court of Judicature at Allahabad and was eventually quashed. The High Court held that the Government could not increase *suo moto* the lump sum payable by an operator under an agreement executed after 15th November 1971 (when the additional tax was imposed) but prior to 17th April 1974, when there was no increase in the rate of passenger or additional tax subsequent to the execution of the agreement, and quashed the notification.

Thus, the Government had suffered a loss of about Rs.48.50 lakhs in only four out of thirteen regions in the State by not having made adequate provision in the Uttar Pradesh Taxation Laws (Amendment) Act, 1972 itself for compounding the additional tax for 'lump sum' operators in the same manner as passenger tax, and by not having laid down a suitable formula for the purpose before the amending Act came into force.

As regards the other notification dated 17th April 1974, the formula prescribed therein was found to be impracticable. Information regarding the actual number of passengers paying a fare of Re.1 or more was essential for applying this formula, and since this information was not required to be supplied by the 'lump sum' operators, the formula was not workable. A fresh notification was, therefore, issued on 16th June 1975 requiring the lump sum operators to pay 25 per cent of the lump sum passenger tax as additional tax. Since the formula for calculation of additional tax payable by the 'lump sum' operators from 17th April 1974 to 15th June 1975 was found unworkable, the exact liability of such operators on this account and the resultant loss to Government could not be determined.

Non-levy of additional tax on contract carriages from other States plying in U. P.

80. Under the provisions of the U. P. Motor Gadi (Yatrikar) Adhivivam, 1962, as amended by the Uttar Pradesh Taxation Laws (Amendment) Act, 1972, an additional tax at the rate of ten paise per seat for each journey (where the ordinary fare for such journey was not less than

one rupee) was leviable with effect from 15th November 1971 on a contract carriage. Stage carriages, plying as contract carriages under special permits granted by an authority outside Uttar Pradesh, were also liable to pay this tax unless specifically exempted by the State Government by an order notified in the gazette. Since no such exemption had been notified, the tax on the contract carriages of other States was to be collected and remitted to this State by the Transport Authorities of other States which issued the permits. For this purpose, a proper procedure was required to be evolved for collection of the dues and remittance thereof to this State by the Transport Authorities of the other States.

However, in the audit of the office of the Transport Commissioner, U. P., Lucknow (June 1973 and August 1974), it was noticed that the procedure had not been finalised in consultation with the authorities of the other States as a result of which the additional tax could not be charged from such carriages. In the case of Delhi alone, 100 special permits per week, on an average, were issued during July/August 1973 to the contract carriages for plying in U. P. On this basis, the number of special permits issued to contract carriages of Delhi comes to nearly 13,000 during the period January 1972 to June 1974. Taking the minimum seating capacity of a vehicle as 50, the additional tax realisable from the contract carriages for both the outward and return journeys was Rs.10 per permit. Thus, the additional tax not charged from the contract carriages coming from Delhi and plying in Uttar Pradesh approximately works out to Rs.1,30,000. The loss on this account would be much more if the contract carriages plying in Uttar Pradesh from other neighbouring States of the Punjab, Haryana, Madhya Pradesh and Bihar are also taken into account.

When this was pointed out in audit (August 1973 and September 1974), the department stated (September 1975) that when a consolidated fare is charged for outward and return journeys by a contract carriage, the whole trip should appropriately be treated as a single journey for the purpose of levy of additional tax. There is no definition of 'journey' in the U. P. Motor Gadi (Yatri-kar) Adhiniyam, 1962, and the rules framed thereunder. However, even on the basis of the view expressed by the department, the additional tax due from contract carriages plying in U. P. from Delhi would work out to about Rs.65,000.

On this being pointed out, Government stated (December 1975) that all the cases were being reviewed and that additional tax, wherever due, was being charged.

CHAPTER VII
FINANCE DEPARTMENT

STAMP DUTIES AND REGISTRATION FEES

Under-assessment of stamp duty and registration fee

81. According to the Indian Stamp Act, 1899, as applicable to Uttar Pradesh, stamp duty on an instrument of gift is payable at Rs.75 per thousand rupees on the prevailing market value of property as on the date of execution of deed, whereas the maximum stamp duty on a deed of release is Rs.100.

It was noticed in the course of audit of a Sub-Registrar's office in May 1975 that a land holder transferred her agricultural land measuring 46.28 acres to her three sons in equal shares voluntarily and without consideration through an instrument of release registered in December 1974. The registering authority accepted the instrument as a deed of release and charged stamp duty and registration fee accordingly. Since, however, the transferor was the absolute owner of the property to which there was no claim by the transferees, the transfer of all interest in the property in favour of the sons voluntarily and without consideration would be a gift and not a release. Thus, incorrect classification of the document as a release deed resulted in under-assessment of stamp duty (including the additional stamp duty of 2 per cent) and registration fee amounting to Rs.92,250.

The matter was reported to Government in May 1975; reply is awaited (February 1976).

Short realisation of stamp duty due to non-application of enhanced rate

82. The rate of stamp duty on the deeds of conveyance, prescribed under the Indian Stamp Act, 1899, as amended in its application to Uttar Pradesh, was raised with effect from 25th May 1974 by an Amendment Act of 1974 from Rs.22.50 to Rs.37.50 per Rs.500 or part thereof in case the valuation exceeded Rs.1,000.

It was noticed in the audit of 24 offices of Sub-Registrars (June 1974 to February 1975) that stamp duty on 661 documents, registered on or after 25th May 1974, was charged at the rate of Rs.22.50 per Rs.500 only instead of Rs.37.50 per Rs.500. This resulted in a short levy of Rs.80,811.

The matter was reported to Government during the period July 1974 to March 1975. Reply is awaited (February 1976).

Short charge of stamp duty on documents executed outside Uttar Pradesh

83. In the course of local audit (November 1973 and March 1974), it was noticed that two deeds, one for mortgage (valuing Rs.35.75 lakhs) and the other for sale (valuing Rs.9 lakhs) pertaining to the properties situated in Uttar Pradesh, were registered in the office of the Sub-Registrar, Bombay, in March 1968 and September 1970 respectively and stamp duty amounting to Rs.42,016 was paid thereon according to the rates applicable in Bombay. The duty payable thereon in Uttar Pradesh was Rs.1,20,937. The copies of the documents were subsequently received in the office of

the District Registrars in Uttar Pradesh within whose jurisdiction the properties, to which the deeds related, were situated.

Under the Indian Stamp Act, 1899, as amended in its application in Uttar Pradesh, if an instrument relating to any property situated or to any matter or thing done or to be done in Uttar Pradesh is executed outside Uttar Pradesh and its copy or duplicate is subsequently received in Uttar Pradesh it would be treated for the purpose of levy of stamp duty in the same manner as if the original or principal instrument had been received in Uttar Pradesh and it would be chargeable with stamp duty payable in Uttar Pradesh. The difference in the duty already paid out of Uttar Pradesh and that payable in Uttar Pradesh is to be made good. However, this was not done. Thus, stamp duty amounting to Rs.78,921 was not charged. Mention of this type of irregularity was also made in paragraphs 35 and 58 of the Audit Reports on Revenue Receipts for the years 1972-73 and 1973-74 respectively.

The matter was reported to Government in December 1973 and April 1974; reply is awaited (February 1976).

Incorrect exhibition and non-exhibition of the class and quality of land in instruments of conveyance leading to short levy of stamp duty and registration fee.

84. Under the provisions of the Indian Stamp Act, 1899, as amended in its application to Uttar Pradesh, the consideration and all other facts and circumstances affecting the chargeability of any instrument with stamp duty are required to be fully and truly set forth in the deed.

It was noticed in the course of audit (June 1975) of a Sub-Registrar's office that out of a number of plots of agricultural land measuring 21.04 acres in all, sold between December 1974 and June 1975, a few plots covering an area of 7.21 acres were wrongly shown as unirrigated land in the relevant instruments of conveyance, while the class and quality of land in case of the other plots measuring 13.83 acres were not mentioned at all. A reference to the revenue records revealed that (i) the plots shown in the deeds as unirrigated were recorded as irrigated in the current *khasras*, (ii) in case of one plot, the land in the deed was shown as of an inferior class whereas it was recorded as land of superior class in the Settlement Volume, and (iii) the plots, for which the class and quality of land had not at all been mentioned in the deeds, were recorded as plots of irrigated land of a superior class in the Settlement Volumes.

Applying the prevailing market rate for the various categories of land as fixed by the Collector in December 1974, the total market value of all the plots of land would work out to Rs.1,60,220. Stamp duty and registration fee on the instruments were, thus, chargeable on the total market value of Rs.1,60,220, whereas these had actually been charged only on Rs.68,100, the total value set out in the instruments of conveyance.

Incorrect exhibition and non-exhibition of the class and quality of land in these cases led to under-valuation of Rs.92,120 resulting in short levy of stamp duty and registration fee amounting to Rs.7,862.

The matter was reported to Government in July 1975; reply is awaited (February 1976).

Short charge of stamp duty and registration fee due to incorrect classification of instrument

85. Under the Indian Stamp Act, 1899, as amended in its application to Uttar Pradesh, stamp duty on an instrument of 'gift' is leviable at the

rate of Rs.75 for the first Rs.1,000 and Rs.37.50 for every Rs.500 or part thereof in excess of Rs.1,000, whereas in the case of 'release' deed it is only Rs.100 if the amount or value of the claim exceeds Rs.2,500. Thus, the rate of stamp duty in the case of 'gift' is higher than that in the case of a 'release'.

As clarified in the Stamp Manual, 'gift' means a transfer of certain existing movable or immovable property made voluntarily and without consideration, whereas in the case of 'release' a claim must be relinquished in favour of the person against whom it stands and in the case of claim against property it must be relinquished in favour of the person who owns or claims proprietary interest in it.

It was noticed in the course of audit of a Sub-Registrar's office in district Agra (April 1975) that in a deed registered in July 1974, the executant transferred in favour of his son a piece of land purchased by him for Rs.54,000 in 1969. He also relinquished in favour of the same son his share of 5 paise in a rupee valued at Rs.5,000 in a firm in which he and his son were partners. The deed was styled as 'release' and stamp duty of Rs.100 and registration fee of Rs.61 (on a valuation of Rs.5,000) only was accordingly charged thereon. As the transfer of movable and immovable property was made voluntarily and without consideration, it was chargeable as 'gift' instead of a 'release' with a stamp duty of Rs.4,425, additional stamp duty of Rs.1,180 and registration fee of Rs.601. Thus, there was a short levy of stamp duty and registration fee of Rs.6,045.

The matter was reported to Government in May 1975; reply is awaited (February 1976).

Short charge of stamp duty and registration fee on a gift deed

86. Under the Indian Stamp Act, 1899, as amended in its application to Uttar Pradesh, stamp duty is chargeable on an instrument of gift on the market value of the property as on the date of execution of the deed.

It was noticed (June 1975) in the audit of a Sub-Registrar's office that a land holder, through a gift deed registered in March 1975, gifted 9.22 acres out of a plot of 14.23 acres of her agricultural land to her three grandsons. In the deed, the gifted land was valued at Rs.18,000 and recited partly as uncultivable (*usar*) and partly as of most inferior quality. A reference to revenue records, however, revealed that the entire land holding of 14.23 acres of the donor was categorised as 'Manjha I, irrigated' (8.34 acres) and 'Gohan II, irrigated' (5.89 acres), the prevailing market rate of which, as fixed by the Collector in December 1974, was Rs.8,000 and Rs.10,000 per acre respectively. The market value of the gifted land according to these rates would work out approximately to Rs.81,000 (as against Rs.18,000 set forth in the deed). Thus, the facts affecting the chargeability of the instrument with stamp duty were not fully and truly set forth in the deed and this resulted in short levy of Rs.5,355 by way of stamp duty and registration fee.

The matter was reported to Government in July 1975; reply is awaited (February 1976).

Non-levy of additional stamp duty on deeds of transfer of immovable property

87. Under the Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965, all deeds of transfer of immovable property, situated in areas

notified by the Government for the purpose, attract an additional stamp duty of 2 per cent on the value or amount of consideration with reference to which stamp duty is calculated under the Indian Stamp Act, 1899.

In the course of audit of 20 offices of Sub-Registrars it was noticed (June 1973 to March 1975) that between October 1969 and October 1973, such additional stamp duty was not levied on instruments of transfer of immovable property involving a total consideration of Rs.1,91 lakhs, although the properties concerned were situated in areas duly notified by the State Government for the purpose of levy of additional stamp duty prior to the execution of these instruments. Government, as a result, was deprived of a revenue of Rs.3.82 lakhs.

The matter was reported to Government during July 1973 to April 1975; reply is awaited (February 1976).

Non-realisation of additional stamp duty from the Uttar Pradesh State Electricity Board

88. An instrument of simple mortgage chargeable with stamp duty under the Indian Stamp Act, 1899, also attracts, under the Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965, an additional stamp duty of 2 per cent on the amount of consideration on which the stamp duty is leviable, where the immovable mortgaged property is situated in areas notified by the Government for the purpose.

In the course of audit of a District Registrar's office (April 1975), it was noticed that the Uttar Pradesh State Electricity Board executed a simple mortgage deed in February 1975 in favour of the Life Insurance Corporation of India for obtaining a loan of Rs.12.65 crores. The mortgagor secured this loan by mortgaging immovable properties inclusive of fixed assets, the aggregate book value of which, as on 31st March 1974, amounted to Rs.122.96 crores. At the instance of the mortgagor, the Collector adjudicated, under section 32 of the Indian Stamp Act, 1899, the stamp duty payable on the mortgage deed in terms of the said Act. The mortgage deed was, accordingly, registered in March 1975 but without charging any additional stamp duty in terms of the Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965. A perusal of the deed indicated that out of the total mortgaged property valued at Rs.122.96 crores, property worth at least Rs.10.11 crores was exclusively situated in areas (Panki, district Kanpur) as had been notified by Government for levy of additional stamp duty. The remaining property valued at Rs.112.85 crores was partly situated in areas attracting additional stamp duty and the value of which had not been separately set out in the deed. The proportionate loan of Rs.1.04 crores (which bears the same ratio to the total loan of Rs.12.65 crores as Rs.10.11 crores bears to the mortgaged value of the total assets of Rs.122.96 crores) attracted an additional stamp duty of Rs.2.08 lakhs which was not levied. The short levy would be much more if the value of the remaining immovable property situated in areas notified by the Government for levy of additional stamp duty was also taken into account.

The matter was reported to Government in May 1975; reply is awaited (February 1976).

Loss of additional stamp duty on instruments of simple mortgage

89. The Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965 (as amended in 1966) imposes an additional stamp duty of 2 per cent

on the amount or value of consideration of instruments of transfer of immovable property (including instruments of simple mortgage, as clarified by the State Government) situated in such areas as may be notified by the State Government from time to time.

It was, however, noticed (November 1973 to February 1975) in the course of audit of seven offices of Sub-Registrars that such additional stamp duty was not levied on instruments of simple mortgage executed and registered between October 1971 and October 1973, involving a total consideration of Rs.55.62 lakhs. This resulted in a loss of revenue of Rs.1.11 lakhs.

The matter was reported to Government during the period March 1974 to April 1975; reply is awaited (February 1976).

Grant of irregular exemption from stamp duty to members of co-operative society

90. According to a notification issued in March 1964 by the Government of Uttar Pradesh under section 9(i)(a) of the Indian Stamp Act, 1899, as amended in its application to Uttar Pradesh, all instruments executed by members of any co-operative society relating to the business of such society, where the amounts or values specified in the instruments do not exceed Rs.5,000, are exempt from payment of stamp duty. Where, however, such amount or value exceeds Rs.5,000, the stamp duty otherwise chargeable is to be reduced by 50 per cent.

It was noticed in the course of audit (May 1975) of a Sub-Registrar's office that full exemption from stamp duty was allowed in the case of 8 instruments executed by 6 members of a Co-operative Agricultural Society transferring their ownership rights in *bhumidhari* holdings measuring 111 acres in favour of the Society. The instruments were executed and registered in December 1974. But since the value of property involved in each instrument was more than Rs.5,000, stamp duty at half the normal rate was liable to be charged on them. Besides, as the owners of the properties transferred their ownership rights to the Co-operative Society voluntarily and without consideration, the instruments should have been treated as deeds of gift on which the normal rate of stamp duty payable is Rs.75 per thousand rupees of the prevailing market value as on the date of execution of the deed. The rate applicable to the deeds in question was, therefore, Rs.37.50 per thousand rupees of the market value of the property as per the aforementioned notification of the Government of Uttar Pradesh. In addition, an additional stamp duty of 2 per cent on the market value of the property was also leviable.

The market value of 111 acres of land would work out to approximately Rs.21 lakhs on the basis of the market rate of Rs.19,000 per acre, as fixed by the Collector in December 1974 for the type of land involved. The irregular exemption from stamp duty deprived the Government of a revenue of Rs.1.21 lakhs (approximately).

The matter was reported to Government in May 1975; reply is awaited (February 1976).

Loss of stamp duty and registration fee owing to grant of unauthorised exemption

91. As already stated, in terms of a State Government notification issued in March 1964, an instrument executed by a member of any co-operative society, relating to the business of such society, where the

amount or value specified therein does not exceed Rs.5,000, is exempt from payment of stamp duty leviable under the Indian Stamp Act, 1899, as applicable to Uttar Pradesh. Where, however, the amount or value exceeds Rs.5,000, the stamp duty is to be reduced by 50 per cent of the normal duty chargeable. Such instruments are also exempt from registration fee under the Indian Registration Act, 1908, irrespective of the amount or value set out therein.

In the course of audit (September 1974) of a Sub-Registrar's Office (Rampur), it was noticed that out of 12 deeds of sale of immovable property registered in April and May 1972 (having a total consideration of Rs.2,81,275) 7 instruments, executed by members of co-operative societies in favour of other members of their societies, were allowed fifty per cent reduction in payment of stamp duty and full exemption from payment of registration fee. The remaining 5 deeds which were executed by a member of a co-operative society in favour of that society were granted full exemption from payment of stamp duty. Since the transactions in the former case were between members of the co-operative societies in their individual capacity and not related to the business of the societies, the deeds in question were not entitled either to partial reduction of stamp duty or full exemption of registration fee. In the latter case, as the value exceeded Rs.5,000 only 50 per cent reduction in payment of normal stamp duty was permissible. Altogether, this resulted in a short charge of revenue of Rs.7,883 by way of stamp duty and registration fee.

The matter was referred to Government in October 1974; reply is still awaited (February 1976).

CHAPTER VIII
OTHER TAX RECEIPTS

SECTION-A
REVENUE DEPARTMENT

VRIHAT JOT KAR

Loss of holding tax

92. Under the Uttar Pradesh Vrihat Jot Kar Adhiniyam, 1963, effective from 1st July 1962, holding tax is levied for each agricultural year on the annual value of a land holding (aggregate of all land held by a land holder on the first day of any agricultural year), the area whereof exceeds thirty acres, at the rates specified in the schedule to the Adhiniyam. The Sub-Divisional Officer, within whose jurisdiction the land holder ordinarily resides, is the assessing authority. For the purpose of levy of this tax, revenue authorities of the various *tahsils*/districts are required to send a report of land holdings, if any, held by an assessee in that *tahsil*/district to the revenue authority of the *tahsil* where the land holder ordinarily resides. The latter is then required to prepare a consolidated statement of land holdings of each assessee and send it to the Sub-Divisional Officer concerned for assessment of the holding tax.

In the course of audit of eight district offices (January 1974 to February 1975), it was noticed that the details of land holdings of 254 assessees, whose land holdings exceeded 30 acres, were either not intimated in time by the revenue officials of various *tahsils*/districts to the resident *tahsil* authorities or the resident *tahsil* authorities did not furnish the consolidated statements of all holdings with valuation thereof to the Sub-Divisional Officer in time. Consequently, their assessments for the years 1370 *fasli* to 1378 *fasli* (1962-63 to 1970-71) could not be made on account of the cases having become time barred involving loss of revenue of Rs.4.20 lakhs.

On this being pointed out in audit (May 1974 to March 1975), Government stated (December 1975) that suitable action had been initiated against the defaulting officers.

Irregular refund of holding tax

93. In the course of audit (March 1974) of the office of a Vrihat Jot Kar Adhikari, it was noticed that the owner of an estate in Naini Tal, who died in September 1964, was assessed (February 1966) to a holding tax of Rs.24,108 for the years 1370 *fasli* to 1372 *fasli* (1962-63 to 1964-65). His legal heirs who, under the U. P. Vrihat Jot Kar Adhiniyam, 1963, were liable to pay the aforesaid tax, deposited a sum of Rs.21,027 during the period July 1966 to April 1968. They later on appealed to the Divisional Commissioner for refund of the amount of Rs.21,027 on the ground that the land holdings had been partitioned and that the individual holdings were below the taxable limit. The Commissioner remanded the case to the assessing authority in October 1970 for re-examination. The assessing officer thereupon refunded this amount in December 1971.

The assessing officer, while passing the orders for refund neither gave any reason for setting aside the earlier assessment nor was it established that the estate had been partitioned before the relevant assessment years. The refund of Rs.21,027 was, thus, irregular.

On this being pointed out in audit (April 1974), Government stated (December 1975) that action against the assessing officer had been initiated and that steps were being taken to reassess the tax.

Loss of revenue due to irregular exemption

94. Under the Uttar Pradesh Vrihat Jot Kar Adhiniyam, 1963, holding tax is levied for each agricultural year on the annual value of a land holding (the aggregate of all land held by a land holder on the first day of any agricultural year) the area whereof exceeds thirty acres, at the rates specified in the schedule to the Adhiniyam. In computing the area of a land holding, such area, not exceeding five acres, as is covered by buildings or is appurtenant thereto is not to be taken into account.

In the course of audit (May 1975) of an office of Vrihat Jot Kar Adhikari, it was noticed that in computing the land holdings of an assessee for the year 1374 *fasli* to 1380 *fasli* (1966-67 to 1972-73) and 1381 *fasli* to 1382 *fasli* (1973-74 to 1974-75) land measuring 91.34 *bighas* and 89.64 *bighas* respectively, as was covered by buildings in four different villages, was not taken into account. This exemption being in excess of the permissible limit of 5 acres (8 *bighas*) resulted in a short levy of holding tax of Rs.17,800. Of this, tax amounting to Rs.9,900 relating to the years 1374 *fasli* to 1378 *fasli* (1966-67 to 1970-71) has become irrecoverable because the assessment for those years has since become time barred.

On this being pointed out in audit (June 1975), Government stated (December 1975) that suitable action would be taken against the defaulting officers.

OTHER TOPICS OF INTEREST

Non-finalisation of Vrihat Jot Kar cases

95. The U. P. Vrihat Jot Kar Adhiniyam, 1963, and the Rules framed thereunder do not provide for any time limit for finalisation of cases where notices for assessment have been issued to the assessee. No orders or instructions have also been issued by Government so far prescribing any time limit. This results in a large number of cases being kept pending. On the basis of the information furnished (June 1975) by the department, as many as 2,826 cases relating to the period from 1370 *fasli* year (1962-63) to 1382 *fasli* year (1974-75) involving a tax of Rs.31.03 lakhs were yet to be finalised in various districts of Uttar Pradesh (other than the districts of Lucknow, Naini Tal, Sitapur, Sultanpur and Ballia for which figures were not available with the Board of Revenue).

Non-finalisation of these cases, for which no specific reason has been given, has, thus, blocked Government revenue to the extent of Rs.31.03 lakhs.

The matter was referred to Government in August 1975; reply is awaited (February 1976).

SECTION-B

SUGAR INDUSTRY AND CANE DEVELOPMENT DEPARTMENT

TAX ON THE PURCHASE OF SUGARCANE

Grant of licence without recovering licence fee in full

96. A manufacturer of 'gur' or 'rab' is required to obtain a licence either under the U. P. Khandsari Sugar Manufacturers Licensing Order, 1967, or under the provisions of section 4 of the U. P. Sugarcane (Purchase Tax) Act, 1961, read with rule 20 thereunder on payment of the prescribed fee of Rs.300 per power crusher for an assessment year or part thereof.

During audit (October 1974), it was noticed that licences for running 5,693 *Khara Kolhoos* (vertical power crushers) were granted on payment of licence fee of Rs.25 only per power crusher during the assessment year 1971-72. In subsequent assessment years 1972-73 and 1973-74, licences for 5,000 and 16,313 *Khara Kolhoos* respectively were issued by recovering licence fee of Rs.100 per *Khara Kolhoo* instead of the prescribed fee of Rs.300.

Licensing of such units on realisation of licence fee lower than that prescribed under the rules was irregular and resulted in loss of revenue amounting to Rs.58,28,175 during the years 1971-72 to 1973-74.

The matter was reported to Government in December 1974 and they have replied in August 1975 that owners of *Khara Kolhoos* have not been issued licences but have only been permitted to crush their own cane on payment of nominal fee and that *Khara Kolhoos* are not regulated by the provisions of the U. P. Sugarcane (Purchase Tax) Act, 1961. Since, however, *Khara Kolhoos* are crushers run by power they should be governed by the provisions of section 4 of the Act and proper licences should have been issued on payment of full licence fee.

Non-payment of purchase tax on sugarcane obtained from factory's farm having separate legal entity

97. According to section 3 of the U. P. Sugarcane (Purchase Tax) Act, 1961, read with Government (Industries Department) letter dated 1st January 1962, purchase tax is chargeable on sugarcane obtained by a factory from its own farm having a separate legal entity even though the proprietorship of the farm and the factory may be the same.

During local audit (August 1974), it was noticed that a sugar factory of Bijnor District obtained 3,18,621 quintals of sugarcane during the assessment years 1961-62 to 1970-71 from a farm having separate legal entity but purchase tax amounting to Rs.1.75.910, due on the said quantity, was not charged.

When this was pointed out in audit in October 1974, Government accepted the audit point (July 1975) and initiated action to recover the amount. Recovery of the amount is awaited (February 1976).

Rebate of purchase tax allowed twice

98. By a notification dated the 2nd January 1971 the Government of Uttar Pradesh remitted the tax payable under the U. P. Sugarcane (Purchase Tax) Act, 1961, to the extent of 25 paise per quintal in respect of all sugarcane purchased by the sugar factories upto 21st November 1970 in the western and central zones and upto 28th November 1970 in the eastern zone, provided the mills had started crushing before 15th November 1970.

It was, however, noticed that a factory in the eastern zone of Uttar Pradesh in the district of Deoria which had already availed of the rebate amounting to Rs.47,829 on 1,91,316 quintals of sugarcane purchased by it upto 28th November 1970 by short payment of the tax payable during 1970-71 season to the above extent, again credited Rs.47,829 in its personal ledger account in February 1974 on the authorisation from the department.

The State Government to whom the matter was reported in February 1975 replied (July 1975) that the double adjustment of rebate had since been corrected.

Excess rebate of tax on the purchase of sugarcane

99. By a notification dated 7th September, 1973 the State Government remitted the tax payable under the Uttar Pradesh Sugarcane (Purchase Tax) Act, 1961, to the extent of 25 paise per quintal in respect of sugarcane purchased by sugar factories during December 1972 to April 1973 in excess of 115 per cent of the quantity of cane purchased by them during the corresponding period of 1971-72.

A sugar factory of Bijnor District availed itself of the aforesaid rebate amounting to Rs.2,19,787 by crediting the amount in its personal-ledger account in November 1973 against the correct entitlement of Rs.1,94,787 only. On the irregularity being pointed out in audit (August 1974), the factory deposited into the treasury on 21st August 1974 a sum of Rs.25,000, being the amount of rebate availed of in excess. Government stated (April 1975) that the management of the factory had been warned not to adjust any amount of remission without obtaining prior approval of the District Magistrate.

SECTION-C

FINANCE DEPARTMENT

ENTERTAINMENT TAX

Non-recovery of entertainment tax

100. Under section 6(3) of the U. P. Entertainment and Betting Tax Act, 1937 the State Government may by general or special order exempt any entertainment or class of entertainment from liability to the entertainment tax provided that (i) entertainment tax has not been charged on payment for admission to any entertainment and that (ii) the net proceeds of the show are utilised for charitable and educational purposes.

It was noticed during local audit (May 1974) that an entertainment show (Music and *Qawali*) had been organised at Etawah District Exhibition Cattle Show from 27th to 29th November, 1971. The organisers of the show had collected entertainment tax of Rs.11,766 from the shows but had not remitted it to Government. When audit pointed out non-deposit of the collected tax of Rs.11,766, the Collector replied that a reference had been made to Government for granting exemption from entertainment tax in that case. Since the conditions for exemption had not been fulfilled in this case, exemption was not admissible. When this was pointed out to the department (May 1974), it was stated (October 1974) that the matter had been referred to Government. Government issued orders in April 1975 stating that no exemption should be allowed in this case. Consequently, the amount was deposited in the treasury in November 1975.

CHAPTER IX
FOREST RECEIPTS

FOREST DEPARTMENT

Extraction and sale of oleo-resin

101. Oleo-resin, a raw material for the production of rosin and turpentine, is extracted from Pine trees growing at an altitude of 3000 to 6000 feet in the Siwalik and Himalayan ranges. For the purpose of collecting the exuded resin, the entire forest area is divided into suitable coupes and the number of channels (blazes cut in the trees) to be tapped in each coupe are enumerated. The exuded resin is tapped from these blazes by the tappers regularly every 5 to 7 days.

About 80 per cent of the total production of resin is sold by the Forest Department to the Indian Turpentine and Rosin Company Limited, Bareilly and the co-operative societies, 4 per cent to small industrial units and the remaining 16 per cent is sold in open market by public auction. The Turpentine and Rosin Company was set up in 1918. The State Government holds 79.3 per cent of its shares; 18.6 per cent are held by private shareholders and the remaining 2.1 per cent by a foreign collaborator (Arakva Forest Chemical Industries Limited, Osaka, Japan).

The following points were noticed in audit:—

(1) *Low average yield of resin*

In the Kumaon and Tehri Circles, the average yield of resin per 100 channels extracted departmentally during 1965-66 to 1973-74 was as indicated below:—

Year	Kumaon Circle			Tehri Circle		
	Number of channels tapped	Resin obtained (in quintals)	Average yield of resin per 100 channels (in quintals)	No. of channels tapped	Resin obtained (in quintals)	Average yield of resin per 100 channels (in quintals)
1965-66	77,37,000	1,86,800	2.41	28,14,000	54,500	1.94
1966-67	85,35,289	2,09,772	2.46	14,76,200	27,164	1.84
1967-68	90,65,439	2,16,400	2.39	14,70,330	21,620	1.47
1968-69	89,95,482	1,91,242	2.13	14,79,000	23,069	1.56
1969-70	92,11,183	1,93,204	2.10	16,36,300	26,286	1.61
1970-71	95,69,213	1,64,837	1.72	17,86,172	25,462	1.40
1971-72	1,03,40,670	1,37,816	1.33	16,52,730	23,771	1.44
1972-73	85,19,773	1,54,620	1.81	17,29,623	27,531	1.59
1973-74	1,00,33,186	1,72,094	1.71	16,41,840	27,840	1.67

While the average yield of departmental extraction in the Tehri Circle during the years 1967-68 to 1972-73 ranged between 1.43 and 1.61 quintals per 100 channels, the average yield in the case of extraction by contractors in the Reserve Forest of Tehri Circle during the same period ranged between 2.93 and 3.85 quintals per 100 channels. In the adjoining State of Himachal Pradesh, the average yield is reported to be 3 quintals per 100 channels.

In Kumaon Circle, the average yield of resin decreased from 2.41 quintals per 100 channels in 1965-66 to 1.71 quintals per 100 channels in 1973-74 (*i.e.*, by 29 per cent). In Tehri Circle, too, the average yield in 1967-68 and subsequent years declined in comparison to that in the earlier years.

The department has attributed (April 1974) the poor average yield to adverse weather conditions and non-availability of skilled labourers because of low earnings.

(2) *Loss of revenue*

(a) Even though the average yield per hundred channels in departmental extraction is low and the cost of extraction consequently high, the department supplies approximately 80 per cent of the yield to the Indian Turpentine and Rosin Company Limited, Bareilly and the co-operative societies at prices much below the prevailing market price entailing huge loss of revenue.

The sale price fixed from time to time has been much less than the prevailing market price and as a result the loss of revenue to the Forest Department between 1966-67 and 1973-74 amounted to Rs.6,48.80 lakhs as indicated below :—

Year	Quantity of resin sold to I. T. R. Co. Ltd. (in quintals)	Quantity of resin sold to co-operatives (in quintals)	Total quantity sold (in quintals)	Sale price fixed for sale to I.T.R. Co. and the co-operatives (in Rs. per quintal)
1	2	3	4	5
1966-67	1,15,170	20,272	1,35,442	85.74
1967-68	1,34,621	28,564	1,63,185	86.62
1968-69	1,67,941	29,861	1,97,802	94.75
1969-70	1,67,805	29,856	1,97,661	115.61
1970-71	1,61,432	22,956	1,84,388	140.00
1971-72	1,25,190	19,000	1,44,190	170.00
1972-73	1,82,482	..	1,82,482	180.00
1973-74	1,53,187	11,942	1,65,129	180.00

Year	Average market price obtained in open auctions (in Rs. per quintal)	Difference between market price and price fixed for sale to I. T. R. Co. Ltd. and co-operative societies (in Rs. per quintal)	Loss of revenue		
			On sale to I. T. R. Co. Ltd. (Rs. in lakhs)	On sale to co-operative societies (Rs. in lakhs)	Total
	6	7	8	9	10
1966-67	90.49	4.75	5.47	0.96	6.43
1967-68	109.14	22.52	30.32	6.43	36.75
1968-69	147.00	52.25	87.75	15.60	1,03.35
1969-70	197.19	81.58	1,36.90	24.35	1,61.25
1970-71	220.46	80.46	1,29.89	18.47	1,48.36
1971-72	253.27	83.27	1,04.25	15.82	1,20.07
1972-73	194.85	14.85	27.10	..	27.10
1973-74	207.55	27.55	42.20	3.29	45.49
		Total ..	5,63.88	84.92	6,48.80

— Thus, while the loss to the Forest Department owing to sale of resin to the Indian Turpentine and Rosin Company Limited at low rates amounted to Rs.5,63.88 lakhs during 1966-67 to 1973-74, the dividends paid by the Indian Turpentine and Rosin Company to the State Government (Industries Department) during the same period amounted to Rs.6.13 lakhs only. One of the conditions laid down by Government in March 1963 for the supply of crude resin to the Indian Turpentine and Rosin Company Limited was that maximum quantity of 3 lakh maunds (1.12 lakh quintals) with a minimum of 1.50 lakh maunds (0.56 lakh quintals) be supplied by the Forest Department annually with the stipulation that the maximum supply will be increased with mutual consent, provided the Government gets a reasonable price for the resin. The quantity of supply to the company was increased to 4.5 lakh maunds (1.68 lakh quintals) in 1968-69 even though the prevailing market price of Rs.147 per quintal was much more than the sale price of Rs.94.75 per quintal in that year. This increase in supply to the Indian Turpentine and Rosin Company Limited, contrary to the stipulation, was not in the financial interests of the Government.

(b) In the absence of any condition regarding the periodicity of payment and compensation for delayed payments, the I. T. R. Company Limited, till 1971-72, made payment for the annual supplies of resin at the end of each financial year whereas the co-operative societies and other parties were required to make advance payments. This resulted in loss of interest for 11 months in a year on the accrued income from sale to this company. From the year 1972-73, recovery of value of resin supplied to the company was made at the end of each half year (*i. e.*, in September and March). This still results in loss of interest to the Government for 5 months in each half year. The department stated (February 1974) that this point would be considered in future allotments of resin to the company by imposing late fee on delayed payments as is done in cases of other contracts of the Forest Department.

(3) *Loss of revenue from contract system of resin tapping in Tehri Circle*

In Tehri Circle, some extraction of resin is also got done through the agency of contractors under both loaded and unloaded contract systems. Under the loaded contract system, a fixed quantity of resin per 100 channels tapped by the contractor is given to the Forest Department and the remaining quantity extracted is taken by the contractor on payment of royalty to the department, whereas, under the unloaded contract system, the entire quantity of resin extracted by the contractor is taken away by him on payment of prescribed royalty to the department. The amount of royalty payable by the contractor under both these systems is much less than the prevailing market price and this results in loss of revenue to the Forest Department.

A comparative study of the earnings by extraction through the contractor's agency and the amount that would have been earned had the extraction of the same quantity of resin been done departmentally shows that the department incurred a loss of revenue amounting to Rs.84.07 lakhs from 1967-68 to 1971-72 [data for 1972-73 and 1973-74 are (September 1975) awaited from the department] by getting the extraction done through the contractors (as per details given in Appendix II).

(4) *Untapped resin (capacity lying idle)*

According to information given by the department, out of 3,20,711 hectares of *Chir* forests in Kumaon and Tehri Circles, 85,300 hectares

(26.5 per cent) remained untapped during each of the years 1966-67 to 1971-72 which could yield an estimated quantity of 72,859 quintals (on the basis of average yield per hectare in Kumaon and Tehri Circles during this period) of resin valuing Rs.1.23.56 lakhs approximately per year.

(5) *Loss due to theft, fire and pilferage*

(a) A quantity of 6,634.41 quintals of resin valued at Rs.8.02 lakhs was lost in Kumaon and Tehri Circles between 1966-67 and 1973-74 owing to theft and fire as shown below:—

Year	Quantity (in quintals)	Amount (Rupees in lakhs)
1966-67	2,226.83	1.89
1967-68	962.38	0.93
1968-69	1,274.46	1.76
1969-70	997.00	1.97
1970-71	330.00	0.84
1971-72	114.00	0.29
1972-73	82.00	0.16
1973-74	647.74	0.18
Total	6,634.41	8.02

The department stated (June 1972) that it was almost impossible to curb this pilferage as the number of tappers was very large and the area under operation was extensive and often inaccessible.

The department also stated (February 1974) that damage by fire and theft could not be eliminated altogether because both *Chir* forests and resin are highly inflammable; the resin operations are spread over the entire hilly region of the State and the value of resin is quite high.

It has since been reported (December 1975) that in order to check pilferage of resin by tappers and private tree owners, resin trade has been nationalised from October 4, 1975.

(6) *Irregular resin channels*

For extraction of resin from '*Chir*' trees, the contractors are required to follow the prescribed rules for tapping. The size of the channels cut should not exceed the prescribed dimensions as deeper cuts and blazes of bigger size adversely affect the life and growth of the trees. Under the conditions of the agreement, the contractors are required to pay fine at Re.1 per irregular channel.

In a forest division, 12,898 irregular channels were cut for tapping resin during the crop years 1973 and 1974. A fine of Rs. 12,898 was, therefore, leviable on the contractors. However, no fine was levied.

The points mentioned above were referred to Government in June and September 1975; reply is awaited (February 1976).

Undue benefit allowed to contractors

102. As per orders of Government, the security deposit of contractors is required to be kept invested under one of the national savings schemes, duly pledged to Government. In the Forest Department security in excess of ten per cent is obtained in the case of big lots or lots

of minor forest produce at the time of auction to guard against over-bidding or to ensure that the contractors do not abandon the work after entering into contract. Under the conditions of sale, part of the security (amount exceeding one-sixth of the sale price) is allowed to be adjusted towards the first and second instalment of the sale price and the remaining amount is adjusted towards the last instalment or other dues payable by the contractor, after satisfactory completion of the work.

(a) In three forest divisions (Tarai and Bhabhar, South Kheri and Ramnagar), a sum of Rs.12.29 lakhs out of the total security of Rs.16.88 lakhs was deposited into the Post Office Savings Bank accounts or National Savings Certificates after the first/subsequent instalment of the sale price had already become due. Instead of crediting the amount due against the instalments to the revenue head and investing only the balance in the securities, the entire amount of security money was deposited in the scheme. Thus, virtually, the Government revenue to that extent was invested and the contractors got the benefit of interest on the amount till the date of withdrawal and credit to the revenue head. Under postal rules, interest accruing on such deposits is payable only to the person in whose name the account stands as it is only the principal amount which is pledged to Government.

The amount was withdrawn after the lapse of a period between one year and two and a half years from the Post Office and credited to the Government revenue. During this period, the contractors got undue benefit of interest to the extent of Rs.94,240 (approximately).

(b) Generally, the last instalment of the sale price, or the remaining amount which is equal to the amount of security left with the department after previous adjustments, is not paid by the contractors in cash and it is adjusted against their security deposit. Test check in nine forest divisions revealed that the required adjustment in respect of lots of 1969-70 to 1972-73 was made after the lapse of eight months to two and a half years. Owing to delayed adjustment, the contractors of the lots got undue benefit of interest to the extent of Rs.3.42 lakhs (approximately).

(c) In Bahraich forest division, the security of contractors of seven forest lots of 1966-67 amounting to Rs.27,500 was invested in September 1966 in State Development Loan 1978 in the shape of Government promissory notes encashable only after twelve years (in September 1978) and the instalment due in April 1967 to that extent was still lying outstanding (September 1975). The contractors will get interest of over Rs.17,000 on this amount which belonged to the Government, from the due date of instalments. The total undue benefit to contractors in the cases mentioned above exceeds Rs.4.54 lakhs.

Under the Sale Rules, late fee is payable by the contractors at 2 paise/3 paise per Rs.100 per day for late deposit of instalments if delay is more than 30 days/60 days. In these cases, the contractors not only got the benefit of interest on the amount which belonged to the Government but also no late fee was charged from them as the delay in realisation of Government revenue was due to failure on the part of the department.

When these cases were pointed out in audit (July 1973—July 1975), the department stated (June 1975) that the amount of security was invested in National Savings Scheme under the orders of the Government as the Uttar Pradesh State got assistance from Central Government for its developmental activities to the extent of two-thirds of the amounts invested.

It may, however, be stated that it could not be the intention of the Government to allow undue benefit to the contractors by delayed adjustments.

The cases were referred to Government in September 1975; reply is awaited (February 1976).

Loss on account of supply of defective sleepers

103. Sleepers are supplied by the Forest Department to the Railways after obtaining them from the contractors of forest lots as per Railway specifications at agreed rates. Payment for the supply is made to the contractors by adjustment of cost of sleepers towards the sale price of the lots. Requisite funds are placed by the Railways with the Forest Department in advance. Out of the sleepers approved by the Sleeper Passing Officers of the Forest Department and despatched to the Railways during 1969-70 and 1970-71, over 23,000 sleepers were found below specification and rejected by the Railway authorities. The rejected sleepers were jointly inspected by the representatives of the Forest Department and the Railways on various dates during 1970. Thereafter, the matter remained under dispute and the Railway authorities kept on pressing for the replacement of the defective sleepers. In the meeting held in January 1973 between the authorities of the Forest Department and the Railways to arrive at a final settlement, the following decisions were taken:—

(i) 13,226 sleepers categorised by the Forest Department as first class be downgraded to second class sleepers and difference in cost refunded to the Railways as decided at the time of joint inspection in 1970.

(ii) Out of 10,362 rejected sleepers,

(a) 4,270 sleepers were treated as finally unacceptable to the Railways and were to be taken back by the Forest Department for being sold in auction;

(b) 4,265 sleepers which were within 2 per cent of the respective consignments were agreed to be accepted by the Railways at a token reduction of 5 per cent in cost; and

(c) 1,827 sleepers, forming part of more than 2 per cent of the consignments were agreed to be accepted at the reduced rate of Rs.4.25 per cft. which was based on the net price obtained in auction of rejected sleepers by the Forest Department.

On the basis of these decisions the department reported to Government in April 1975 that a sum of Rs.1,29,182 had been determined as refundable to the Railways on account of the defective sleepers. Out of this amount, a net sum of Rs.36,625 was realised by the Forest Department from the sale of 4,270 rejected sleepers and the remaining amount of Rs.92,557 was to be borne by the Forest Department as it was not possible to recover the amount from the contractors who had supplied the sleepers. There was no provision in the agreement deed executed with the contractors for fixing responsibility on them for such losses.

On this being pointed out in audit (1971-72), the department stated (August 1972 and April 1973) that three Sleeper Passing Officers had been held responsible for this loss and the amount would be recovered from their pay. However, no recovery has been made so far (February 1976).

The matter was referred to Government in August 1975; reply is awaited (February 1976).

Irregular remission

104. During 1972-73, a forest lot was auctioned by a Divisional Forest Officer for Rs.1.72 lakhs. The agreement was executed with the contractor on 6th September 1972. In January 1973, the contractor reported that a number of trees (442) in the lot were located in rocky and slopy terrain and, therefore, he was not in a position to recover the wood after felling. He requested that either equal number of trees should be marked in some other lot or the proportionate cost of the trees, forming part of the unworkable lot, be reduced from the total sale price payable by him.

The plea of the contractor was rejected by the departmental authorities on the ground that there was no provision in the contract to this effect. It was further stated that according to the sale rules the contractor should have had full knowledge of the location of the trees and no guarantee was given about the location of the trees at convenient sites.

However, on being approached by the contractor, Government sanctioned the remission of revenue for the proportionate value of these trees amounting to Rs.43,148. The remission allowed was neither covered by the terms of the agreement nor by the provision of sale rules or the Forest Manual. The grant of remission of revenue was, therefore, irregular.

The matter was reported to Government in August 1975; reply is awaited (February 1976).

Loss due to non-fulfilment of contractual obligations by the department

105. A forest lot comprising an area of 672 acres of land was leased out to a contractor for cultivation purposes for a period of three years from 1-6-1967 to 31-5-1970. The lease amount of Rs.71,232 was payable in three equal instalments of Rs.23,744 each on 30-9-1967, 15-3-1968 and 15-8-1968.

According to the terms of the agreement between the Forest Department and the contractor, the department was required to complete the fencing of the area leased out before the start of the cultivation season (July 1967) but the fencing work was completed by the department in May 1968 only. The lessee contended that lease rent for the first year was not payable by him as the department had failed to complete the fencing in time as a result of which he was not able to raise *khari* crop during 1967 and *rabi* crop during 1968. He, therefore, requested extension of the lease period by one year more and also shifting of dates of instalments accordingly. The department did not agree to the request of the contractor.

The matter was thereupon referred to arbitration as per terms of agreement. From the award of Arbitrator, it was seen that the lease holder could cultivate the land only for two years instead of three years contracted for. The Arbitrator held that this loss was suffered by the lessee due to the inability of the department to fence the area at the start of the contract and ordered that the lease in question should be considered to have commenced from 1-7-1968 for a period of two years only and that the lease rent should be reduced by one-third representing the loss of one year of cultivation. The department, therefore, had to refund a sum of Rs.23,744 to the contractor. Thus, owing to the failure on the part of the department to provide fencing in time, Government suffered a loss of revenue of Rs.23,744.

The matter was referred to Government in August 1975; reply is awaited (February 1976).

CHAPTER X
OTHER DEPARTMENTAL RECEIPTS

IRRIGATION DEPARTMENT

106. *Receipts of the Irrigation Department*

(1) *Receipts from irrigation canals*—During the period from 1969-70 to 1973-74, the capital investments of the State on canal irrigation and the area under irrigation increased steadily but there was loss in the working of the canal irrigation in all the five years. In fact, the net loss for 1973-74 was almost double the loss for 1969-70 as would be seen from the following figures:—

Year	Progressive Capital Outlay (in crores of rupees)	Area under irrigation (in lakhs of acres)	Gross receipts	Working expenses	Net revenue	Interest charges	Net loss
1969-70	66.02	88.24	11.85	8.38	3.47	9.82	6.35
1970-71	69.56	87.24	12.88	9.33	3.55	10.95	7.40
1971-72	90.11	85.66	10.19	8.95	1.24	12.24	11.00
1972-73	108.18	87.47	14.01	10.46	3.55	14.65	11.10
1973-74	135.12	190.35	14.25	10.12	4.13	16.58	12.45

(As per Annual Administrative Reports of Irrigation Department and Finance Account of U. P. Government of the respective years).

The Government have attributed the losses to high working expenses, high interest charges and low gross income.

(2) *Arrears of irrigation revenue*—The arrears of irrigation rates as on 31st August 1975 as reported by the Board of Revenue were Rs.8.18 crores.

(3) *Test check*—A detailed scrutiny of the records of the Belan Canal system and the Ken Canal system was undertaken and the results thereof are detailed in the following paragraphs:—

A. *Belan Canal system*

(a) *Areas under irrigation and revenue earned*—The Belan Canal, taking off from the Baraundha pick-up weir on the river Belan, is fed from the Sirsi Dam Reservoir which was completed in 1955. The capital investment on the canal system including the various improvement works was Rs.6.60 crores at the end of 1974-75. The culturable command area of the system was 1.75 lakh acres. The area actually irrigated and the revenue earned for the years 1972-73 to 1974-75 were as follows:

Year	Actual irrigated acres	Revenue earned
		Rs.
1972-73	64,373	12,14,357.01
1973-74	72,903	12,93,732.83
1974-75	1,20,125	18,37,547.93

(As per Irrigation Register in Form 6-B)

(b) The following points were noticed on a detailed scrutiny:—

(i) *Loss of revenue due to excess consumption of water*—The Belan Canal project envisaged an average water loss of 20 to 30 per cent. According to the Agriculture Department, the requirement of water for different crops of *kharif* and *rabi* is as follows:—

	Kharif			Rabi		
	Sugarcane	Paddy	Other Kharif	Wheat	Other crops	Rabi
Number of watering on the average	5	2	1	4	2	
Depth per wat ring (In inches)	4	6	2	2.4	1.2	

(ii) Even allowing 30 per cent loss of water as against 20 to 30 per cent losses provided for in the project, the actual consumption of water for the areas irrigated during the years 1973-74 and 1974-75 was much more than the standards laid down by the Agriculture Department:—

Year and Fasl	Total area irrigated (in acres)	Total water discharge as per gauge register (in cusec days)	Water losses at 30 per cent (in cusec days)	Net water consumption (in cusec days)	Optimum water required as per the Agriculture Department (in cusec days)	Excess water consumed	
						In cusec days	As percentage of column 6
1	2	3	4	5	6	7	8
1973-74							
Kharif 1381	32,301	30,800	9,240	21,560	15,827	5,733	36.2
Rabi 1381	40,574	47,128	14,139	32,989	15,342	17,647	115.0
1974-75							
Kharif 1382	61,294	62,406	18,722	43,684	24,437	19,247	78.7
Rabi 1382	61,166	58,922	17,677	41,245	19,581	21,664	110.6

(iii) The additional area which could have been irrigated by the water consumed in excess of the requirement and the extra revenue that would have accrued are below:—

Year and Fasl	Percentage of excess water losses to the optimum water required	Additional area which could have been irrigated by the water consumed in excess (in acres)	Total irrigation revenue assessed	Loss of revenue due to excess consumption of water
			Rs.	Rs.
1973-74				
Kharif 1381	36.2	11,693	6,58,413	2,38,245
Rabi 1381	115.0	46,660	6,92,505	7,96,380
1974-75				
Kharif 1382	78.7	48,238	10,80,420	8,50,290
Rabi 1382	110.6	650	7,08,143	7,86,206

(iv) *Difference in the area of irrigation as shown in the records of the Ziledars and the Division—Non-assessment of water charges*—The records of the area irrigated are kept by the Ziledar in the *Dehwar* register. The demand for irrigation rates is prepared in the division through *Jamabandis*. It was observed that for the *rabi* of the year 1382 *fasli*, the total area irrigated as shown in the *Jamabandis* was different from the area recorded in *Dehwar* registers of Ziledar III to the following extent:—

Ziledar	Total area shown irrigated as per <i>Dehwar</i> Register	Total area reported to Divisional Office through <i>Jamabandi</i> as per Divisional office record	Difference
III	10,751 acres	15,276 acres	(-) 1,475 acres

When this was pointed out, the Division stated (August 1975) that the reasons for the difference would be investigated.

The short assessment of water rates on the 1,475 acres for which *Jamabandis* have not been prepared in respect of the *Ziledari* III is Rs.22,125 at the rate of Rs.15 per acre.

(v) *Lack of co-ordination between Irrigation Department and Revenue Department*—The demands for water rates are prepared by the Irrigation Division through the *Jamabandis* and sent to the *Tahsildar* of the Revenue Department for collection. A comparison of the Irrigation Division's and *tahsil's* records in respect of the Meja *Tahsil* for the year *fasli* 1382 showed the following differences in the total demands for revenue:—

Fasli	Total demand as per <i>Jamabandis</i>	Total demand as per <i>Tahsil</i> records	Difference
	Rs.	Rs.	Rs.
Kharif 1382	10,09,513	6,19,358	(-) 3,90,155
Rabi 1382	6,74,122	6,94,107	(+) 19,985

As the collection made by Revenue authorities is based on the *tahsil* records, there has been short realisation of revenue for *kharif* 1382 to the extent of Rs.3-90 lakhs.

The differences between the divisional and *tahsil* records could not be explained. It was, however, seen that apart from the acknowledgments of the receipt of *Jamabandis* by the *tahsil*, no record is maintained by the division to ensure that the original demands as communicated through *Jamabandis* and for which warrants were issued to *tahsil* were actually taken in the *tahsil* books, or to keep a watch over the collection of dues by the Revenue Department.

(vi) *Defects in the records*—A test check of the entries in the *Khasra Shudkar* and the *Khasra Bandobast* showed the following defects:—

(a) The entries in *Khasra Bandobast* were in *bighas* and *biswas* whereas the entries in *Khasra Shudkar* were in acres.

(b) The area of fields as shown in the *Khasra Bandobast* differed from the area as shown in the *Khasra Shudkar* in as many as 11 cases.

(c) Even though water was let into the Hardiya distributary only on 19th June 1974 as seen from the gauge register, the measurements of the areas of irrigation in the Bhagya village in the com-

mand area of the Hardiya distributary were found recorded in the *Khasra Shudkar* on 7th June 1974. It could not be explained as to how the measurements of irrigation could be recorded before the water was actually let into the distributary.

B. Ken Canal system

(a) *Capacity*—The Ken Canal system which was completed in 1907 has a culturable command area of 5.75 lakh acres in Banda District. Though the canal was originally designed for a discharge of 2,500 cusecs, the maximum capacity was only 2,200 cusecs and a project for remodelling the canal in order to augment the capacity to 3,700 was taken up from 1969. The capital expenditure on the project including the remodelling till March 1975 was Rs.2,25.20 lakhs.

(b) A test check of the records showed the following:—

(i) *Water losses*—The water losses for the system as envisaged in the project for remodelling was 600 cusecs out of the discharge of 3,700 cusecs which is about 17 per cent. The number of waterings required for different crops and the depth of watering required as estimated by the Agriculture Department are as under:—

	Kharif				Rabi	
	Sugarcane	Paddy	Paleo	Other Kharif	Wheat, Barley and mixed crop	Paleo and other Rabi
Number of watering on the average	6	3	1	1	3	1
Depth per watering (in inches)	5	6	4	4	4	4

Even allowing 20 per cent loss of water as against the 17 per cent envisaged in the remodelling project, the actual consumption of water for the areas irrigated in *kharif* during the *fasli* years 1380, 1381 and 1382 and in *rabi* during 1380 was much more than the standards laid down by the Agriculture Department:

Fasli year and Fasli	Total area irrigated (in acres)	Total water discharge as per gauge register (in cusec days)	Water losses at 20 per cent (in cusec days)	Net water consumption (in cusec days)	Optimum water required as per the standards of Agriculture Department (in cusec days)	Excess water consumed	
						In cusec days	As percentage of col. 6
1	2	3	4	5	6	7	8
1382 Kharif	2,11,403	2,70,618	54,124	2,16,494	1,51,353	65,141	43
1381 Kharif	1,89,632	2,59,436	51,887	2,07,549	1,42,540	65,009	45.6
1330 Kharif	1,89,441	2,49,231	49,846	1,99,385	1,41,878	57,507	40.5
1380 Rabi	1,45,542	1,40,992	28,198	1,12,794	68,954	43,840	63.6

The additional area which could have been irrigated by the water consumed in excess of the requirement and the extra revenue that would have accrued are as below:—

Fasli	Percentage of excess water losses to the optimum water required	Additional area which could have been irrigated by the water consumed in excess (in acres)	Total irrigation revenue assessed (Rupees)	Loss of revenue due to excess consumption of water (Rupees)
1382 Kharif	43	90,903	41,94,460.98	18,03,618.22
1381 Kharif	45.6	86,472	39,43,645.79	17,98,302.47
1380 Kharif	40.5	76,724	32,75,773.35	13,26,688.21
Rabi	63.6	92,565	21,88,107.66	13,91,636.47
Total				63,20,245.37

(ii) *Remission of revenue*—The total water discharge in cusec days and the average water discharge at head and the remissions during the *kharifs* of *fasli* years 1380, 1381 and 1382 were as follows:—

Kharif of Fasli year	Total water discharge in cusec days (Lakhs)	Average water discharge at head (cusecs)	Total revenue remitted during the Kharif
			Rs.
1380	2.49	1,800.00	155
1381	2.59	1,854.83	955
1382	2.71	1,840.94	2,85,859

The remission of revenue during the *kharif* of 1382 was unusually large as compared to the previous two years, even though the total water discharge was the highest during that year and the average discharge was also much higher than that of *kharif* 1380 and almost equal to that of *kharif* 1381. In reply to an audit enquiry on this point, the Executive Engineer, Ken Canal Division, Banda stated that the remission had to be granted on account of unprecedented drought in 1974-75. But according to the Manual of Orders of the Irrigation Department, the Executive Engineer can sanction remission if the crop is damaged by failure or stoppage of supply of water from the canal or by locusts, hail, floods, frost, rust or any such calamity other than failure or stoppage of supply of water. As the supply during *kharif* 1382 was more than the water supplies during the earlier two years when the remissions were very nominal, the remissions given in *kharif* 1382 did not appear to be justified.

(iii) *Under-assessment of irrigation revenue*—The acreages under different crops recorded by the Ken canal division in the weekly progress reports were as under:—

Period upto	Irrigation recorded in acres			
	Paddy		Sugarcane	
	Flow	Lift	Flow	Lift
September 1972	1,56,641	..	1,025	Nil
December 1972	1,84,427	427	1,239	7
Kharif irrigation recorded after the 1st October 1972	27,786	427	214	7

The Government revised the water rates upwards with effect from the 1st October 1972 as follows:—

- (i) Sugarcane, potato and paddy Increase of 20 per cent on the existing rates
- (ii) Other crops Increase of 25 per cent on the existing rates

The Ken canal division, however, charged for *kharif* irrigation after the 1st October 1972 only at the old rates and, consequently, there was under-assessment of irrigation revenue to the extent of Rs.0.99 lakh, as follows:—

Crop	Area irrigated after the 1st October 1972	Rate of under-charge per acre	Total under-charge Rs.
Paddy—Flow	27,786	20% of Rs. 17.50	97,251
Lift	427	20% of Rs. 8.75	747
Sugarcane—Flow	214	20% of Rs. 25.00	1,070
Lift	7	20% of Rs. 12.50	18
		Total	99,086

(iv) Loss of revenue due to application of *Paleo* rates for areas under wheat—The *rabi* crops irrigation during the last 3 years was as under:—

Rabi Fasl	(Irrigation in acres)				Total
	Wheat, barley and mixed crop	Potato	Paleo	Other rabi crop	
1380	1,32,455	129	5,992	6,966	1,45,542
1381	1,41,510	128	3,934	8,021	1,53,593
1382	68,341	124	71,172	6,957	1,46,594

It would be seen that there was a sharp fall in the area under wheat and almost a corresponding increase in irrigation for *Paleo* in 1382 *fasl*. In reply it was stated that owing to failure of rains the fields had become hard and could not be sown with anything other than *Paleo* and owing to scarcity of water the irrigation of crops after sowing fell considerably.

The *Paleo* for *rabi* is complete by the 15th November. It was seen that the measurements of the total area of irrigation including that under *Paleo* recorded upto the 6th December 1974 was 17,710 acres. The channels remained closed from the 12th December 1974 to the 31st January 1975. Even assuming that the entire irrigation upto the 6th December 1974 was for *Paleo* only and not for any crops, the total area of irrigation for *Paleo* during *rabi* 1382 should have been only 17,710 acres whereas the area for which *Paleo* rates have been applied was 71,172 acres. The incorrect application of *Paleo* rates instead of the rates for wheat and barley for the 53,462 (i.e., 71,172 minus 17,710) acres resulted in under-assessment of irrigation revenue to the tune of Rs.5.84 lakhs as the rate applicable for *Paleo* was only Rs.4.69 per acre as against Rs.15.62 per acre for wheat and barley.

(v) *Defects in the records*—A test check of the records of the division showed:—

(a) The measurement of *Paleo* irrigation was not recorded immediately after *Paleo* and before the sowing started but later in December 1974, January 1975, February 1975 and even as late as in March 1975 when the harvesting had started or was completed.

(b) In a majority of cases the measurements showed the field as under wheat, barley and no irrigation for *Paleo* was recorded, but the fields were assessed at the rates applicable for *Paleo*.

(c) In a number of cases the measurements were recorded for *kharif* irrigation but these were tampered with and *Paleo* was recorded by erasing, overwriting or by drawing pen over the entry.

(d) A comparison of the *tahsil* and divisional records in respect of Zilledari VI for Banda *tahsil* showed that while as per the *tahsil* records 4,648 acres of the area irrigated by Ken Canal in 22 villages were under wheat, barley and mixed crops, the divisional records showed only 1,805 acres under these crops. The *tahsil* records further showed the area under improved variety of wheat in 5 villages as 712 acres whereas the divisional records showed only 501 acres under wheat.

(e) In a number of cases the patrols had not visited the fields after the first visit for *Paleo* to check whether, though there were crops under irrigation later, the fields had been assessed for *Paleo*.

C. Water losses in Sarda Canal Division

A test check of the records of the Sarda Canal Division, Bara Banki showed that during the *kharif* of the *fasli* year 1381, 54,078 acres were irrigated by the Bara Banki branch of the Sarda Canal and the total water discharged into the branch for the *fasal* was 1,12,070 cusec days.

According to the norms adopted in the Sarda Sahayak Project, the optimum water loss for the branches, distributaries and minors was envisaged as 3,250 cusecs for 14,000 cusecs during non-monsoon months and 1,625 cusecs for 14,000 cusecs during monsoon months. The water requirements and the areas that could be irrigated under wheat and rice, the representative crops of *rabi* and *kharif* respectively as per Standing Orders issued by the U. P. P. W. D. Irrigation Branch, are as under:—

Crop	Average depth per watering	Number of waterings on the average	Area that can be irrigated per cusec week
Wheat (Rabi)	5½ inches	Three	32 acres
Rice (Kharif)	7½ inches	Five	22 acres

Even after allowing a maximum 23 per cent loss of water, the actual consumption of water for the area irrigated in *kharif* during the *fasli*

year 1381 was much more than that justified by the Irrigation Branch standards, as indicated below:—

Fasli year	Total area irrigated (in acres)	Total water discharge (in cusec days)	Water losses at 23 per cent (in cusec days)	Net water consumption (in cusec days)	Optimum water as per para graph 7 of Std. orders (Tech. Paper 9)	Excess water consumed (in cusec days)
1381 (Kharif)	54,078	1,12,070	25,776	86,294	85,873	42

The additional area which could have been irrigated by 421 cusec days of water consumed in excess of the standards works out to 265 acres and the extra revenue that would have accrued comes to Rs.13,165. The points mentioned above were reported to Government in October 1975. Reply is awaited (February 1976).

OTHER TOPICS OF INTEREST

Revenue forgone

107. Daurala distributary taking off from Khatauli distributary near mile 7 which was originally fed by canal water was converted into a tube-well feeder channel in 1934-35. Since then it was fed by 3 tube-wells except during 1971-72 and 1972-73 when it got canal water supplies of 1.5 cusecs and during 1973-74 when it received canal supplies of only 1 cusec. Although the irrigation was being done by tube-well water and irrigation rates for tube-well which are higher should have been applied for recovery from the beneficiary cultivators, the State Government issued orders in March 1943 for recovery of irrigation charges at canal rates which were much less than the tube-well rates. The loss of revenue during 1971-72 to 1973-74 alone was Rs.3.89 lakhs.

On this being pointed out in audit (February 1975), the Chief Engineer stated (September 1975) that recovery was being made in accordance with the orders of Government.

The matter was referred to Government in December 1974; reply is awaited (February 1976).

Loss of revenue owing to erroneous instructions about assessment of water charges

108. The irrigation charges for water supplied by tube-wells is assessed on the basis of the number of gallons as recorded by the meters installed on the tube-wells. In the case of tube-wells having no meter or defective meters, the Tubewell Divisions used to work out the irrigation charges on the basis of the average of water consumption of irrigated area during the last 3 or 4 years. Out of the total number of 10,822 tube-wells in the State, 3,477 had either no meter or had defective meters as on 31st March 1971.

In December 1972, the Director of Tube-wells observed that the assessment of water rates in respect of the tube-wells having no meter or defective meters on the basis mentioned above was not proper because the irrigated area was shrinking progressively owing to the increasing use of improved varieties of seeds and fertilizers and the irrigation revenue computed on the basis of irrigation area was very much less. The Director, therefore, ordered (December 1972) the assessment of the irrigation rates for tube-wells having no meter or defective meters on the

basis of the running hours and the discharge of water per hour. In March 1973, however, the Director withdrew the orders of December 1972 on the ground that the verification of running hours became difficult due to the rostering of power and he permitted the assessment of irrigation rates by the old method, that is, on the basis of the irrigated area.

In November 1973, fresh orders were issued by the Additional Chief Engineer, Tube-wells (the post of Director was upgraded as Additional Chief Engineer) for assessment of irrigation rates on the basis of the running hours and hourly discharge of water on the ground that assessment on the basis of irrigated area resulted in loss of revenue.

During the half year April—September 1973, the loss of irrigation revenue on account of assessment of irrigation rates on the basis of irrigated area instead of the running hours and hourly discharge basis was Rs.8.70 lakhs in 10 Tube-well Divisions. Information from the remaining 30 Tube-well Divisions is yet to be received.

On this being pointed out in audit (October 1974), the department stated (February 1975) that owing to administrative reasons the orders of December 1972 were withdrawn.

The matter was referred to Government in December 1974; reply is awaited (February 1976).

Loss of revenue due to delay in fixing irrigation rates and fixing lower rates

109. Private ownership of all *bundhis*, reservoirs and irrigation canals was abolished under clause (i) of sub-section (A) of section 6 of the Zamindari Abolition and Land Reforms Act, 1950. Consequently, 76 Zamindari irrigation works in six districts, *viz.*, Dehra Dun (10 canals), Basti (11 reservoirs), Gonda (3 reservoirs), Bahraich (1 reservoir), Gorakhpur (one lake canal system) and Jhansi (41 reservoirs and 9 *bundhis*), were taken over by the State Government in 1953. The Chief Engineer proposed (April 1953) levy of irrigation charges for irrigation from these works at one-fifth of the rates prescribed in Schedule I. Government orders approving the proposed rates were, however, issued only in January 1964. Consequently, no irrigation charges were levied on the cultivators for irrigation from these works between 1952-53 and 1963-64 although about Rs.3.10 lakhs were spent every year on an average on the maintenance, repairs and establishment of these works during this period. On the basis of the average yearly revenue of Rs.1.33 lakhs at one-fifth of Schedule I rates from January 1964 onwards, the department was deprived of revenue of Rs.13.30 lakhs from 1953-54 to 1963-64 on account of delay in issue of Government orders.

From 1964 to 1972 one-fifth of the rates prescribed in Schedule I remained in operation without any increase although for irrigation from similar works constructed by the department, charges at Schedule II rates which were much higher than one-fifth of Schedule I rates were levied during this period. Owing to non-revision of rates for irrigation from ex-zamindari channels, Government had to forego revenue to the extent of Rs.26.16 lakhs during the 10 years from 1964 to 1975. The average annual maintenance expenditure and revenue during this period in five districts (excluding Dehra Dun District the channels of which were transferred under orders of Government in January 1967 to Panchayat Raj Department for being managed by Gaon Sabhas) were Rs.3.08 lakhs and Rs.0.90 lakh respectively.

In July 1973, Government asked the department to formulate proposals for enhancement of these irrigation rates. In September 1973, the Engineer-in-Chief, Irrigation Department, U. P., recommended enhancement of irrigation rates from one-fifth of Schedule I to those prescribed in Schedule II. Orders of Government enhancing the rates are yet to be issued (February 1976).

For the ten *zamindari* channels of Dehra Dun District transferred in January 1967 to the Panchayat Raj Department, revenue of Rs.1.30 lakhs was due for recovery from 1963-64 to 1966-67 but remained unrealised (September 1975). Government had issued orders in August 1964 postponing recovery owing to drought conditions. The position was not reviewed for 8 years and orders withdrawing the earlier orders was not reviewed for 8 years and orders withdrawing the earlier orders

The matter was reported to Government in February 1974; reply is awaited (February 1976).

PUBLIC WORKS DEPARTMENT

110. Rent of residential buildings

Introductory—With a view to mitigating the acute shortage of residential accommodation for Government employees, the State Government took up the construction of residential accommodation from April 1962 under the "Lucknow Housing Scheme" in Lucknow and the "Pooled Housing Scheme" in other district headquarter towns. The total number of residential buildings available for allotment to the Government servants as on 31st March 1975 and the preceding 3 years at Lucknow and Allahabad was as under:—

	Number of old quarters constructed prior to the introduction of Lucknow Housing Scheme and Pooled Housing Scheme	Number of new quarters constructed	Total number of quarters available for allotment
A Lucknow	1971-72 422 1972-73 422 1973-74 422 1974-75 422	612	1,034
B Allahabad	1971-72 56 1972-73 56 1973-74 56 1974-75 56	463	519

The rent assessed, realised and rent remaining uncollected in respect of the residential buildings at Lucknow and Allahabad for the years 1971-72 and 1972-73 were as follows:—

Year	District	Opening balance	Rent assessed	Total	Rent realised	Rent in arrears
		Rs.	Rs.	Rs.	Rs.	Rs.
1971-72	Lucknow	4,27,892	8,72,697	13,00,589	8,11,805	4,88,784
	Allahabad	16,724	45,653	62,377	38,143	24,234
1972-73	Lucknow	4,88,784	9,10,439	13,99,223	6,60,707	7,38,516
	Allahabad	24,234	49,867	74,101	35,867	38,234

The figures for the years 1973-74 and 1974-75 were not available as the divisions concerned had not completed posting in the relevant registers (September 1975).

It will be seen from the statement above that year-wise outstanding balances of rent of residential quarters are on the increase.

The category-wise break-up of the outstanding amount at the end of 1972-73 was as under:—

	Lucknow (In lakhs)	Al'ahabad of rupees)
Government employees	5.92	0.34
Private persons	0.92	0.04
Others	0.55	Nil
Total	7.39	0.38

Under the rules, the rent of buildings allotted to Government servants is to be recovered from their monthly pay bills. The rent of buildings allotted to private persons is to be recovered in advance.

The accumulation of arrears was attributed by the divisions to (a) non-receipt of information regarding the relief of Government servants under orders of transfer, (b) the issue of last pay certificate without first getting 'no demand certificate' from authorities responsible for realisation of rent, (c) the absence of full particulars like designation, pay of allottees in the allotment orders, (d) change in the emoluments of Government servants from time to time not being reported by the drawing and disbursing officers/Gazetted Officers drawing their own pay to the Public Works authorities, (e) the houses being handed over by the vacating Government servants to the incoming employees without intimation to the authorities concerned, and (f) the non-observance by the Treasury Officers and the drawing and disbursing officers of the financial rules regarding deduction of rent as prescribed in the Financial Rules and not intimating the fact of recoveries to the Public Works Divisions.

(2) *Loss of revenue due to allotment of residences without consideration of emoluments*—The Government classified (August 1972) the Government servants in five categories for the entitlement of residences according to their pay scales as detailed below:—

Class of officers	Scale of pay	Type of residence	Plinth area (Sq. feet)
1. Ministerial staff and Class IV staff	Rs.165 to Rs.265	I	269
2. Non-gazetted officers	Rs.200 to Rs.450	II	480
3. Sub-ordinate gazetted officers	Rs.300 to Rs.850	III	640
4. Class I and II gazetted officers	Rs.450 to Rs.2,500	IV	1,565
5. Senior Class I, Judges of High Courts, Commissioners, Members, Board of Revenue and Public Service Commission and officers of similar ranks	Rs.2,250 to Rs.2,750	V	2,000

Under the rules, the scale of accommodation supplied should not, except at the Government servants' own request, exceed that which is appropriate to the status of the occupant.

A study of allotments showed that 29 Senior Class I Officers at Lucknow and 10 at Allahabad drawing pay ranging from Rs.1,100 to Rs.2,250 were allotted quarters carrying standard rent of Rs.97.00 and Rs.48.50 respectively per mensem and were paying standard rent much less than 10 per cent of their pay, whereas in Lucknow 31 other Class I Officers drawing pay ranging from Rs.950 to Rs.1,850 were allotted type IV quarters carrying higher standard rent of Rs.226.50 per mensem and were paying rent at 10 per cent of their pay which is less than the standard rent.

In terms of the Government order issued in August 1972, A and B type residential quarters constructed under the Lucknow and Pooled Housing Schemes were to be treated as equivalent to type IV quarters. Consequently, Class II Officers who were formerly entitled to type B quarters became eligible for type IV.

Out of 113 type IV quarters constructed at Allahabad, 72 stood allotted to Class II Officers (September 1975). The standard rent of each of the 113 type IV quarters constructed at Allahabad under the Pooled Housing Scheme was provisionally fixed at Rs.276.25 per month. As the maximum of the scale of pay of Class II Officers who are eligible for type IV quarters is only Rs.1,200 and as only 10 per cent of the pay is payable by the officers as rent, the Government is put to a minimum loss of Rs.156.25 per quarter in respect of every type IV quarter allotted to a Class II Officer. Consequently, there was a loss of revenue of Rs.3.43 lakhs in the shape of rent for the period 1972-73 to November 1975.

(3) *Government quarters occupied by private persons*—Under the financial rules, private persons occupying Government buildings for residential or business purposes are required to pay the rent in advance at the market rate prevailing in the locality for similar accommodation.

Ninety-five quarters at Lucknow and 8 quarters at Allahabad were allotted to private persons who were charged only standard rent instead of rent at market rate in violation of the rules. For the quarters at Lucknow, the market rent has not yet been ascertained (September 1975) even though the quarters were allotted to private persons as early as in 1957-58.

At Allahabad, the total monthly rent of the eight quarters allotted to private persons at market rate (on the basis of assessment done by Municipal Corporation, Allahabad in 1972 for tax purposes) worked out to Rs.1,971.52 whereas the total standard rent was only Rs.415.54 per month. The total short recovery of rent from private occupants at Allahabad alone during the three years 1972-73 to 1974-75 amounted to Rs.0.56 lakh. The quarters are in occupation from period as early as 1955 and onwards.

The rent was also not recovered in advance from private persons as required under the rules and a total sum of Rs.1,08,784 (Rs.1,05,000 for Lucknow and Rs.3,784 for Allahabad) was outstanding on the 31st March 1975 as arrears of rent against these private persons. No reason was, however, given for the non-recovery of rent in advance from private persons occupying Government residential quarters.

(4) *Unauthorised retention of residences*—As per the terms and conditions of allotment of Government residential accommodation, the occu-

pants are to vacate the accommodation within a month of the transfer, retirement or death of the Government servants. It was, however, observed that as on the 31st July 1975 as many as 40 quarters had not been vacated by allottees after one month following the date on which entitlement ceased (25 quarters allotted to Government employees 13 of whom had retired, 7 had been transferred, 4 had expired and one had been removed from service, and 15 quarters allotted to ministers who had ceased to be so).

Further, under the terms and conditions of allotment of Government residences in case of transfer normal rent was to be recovered for one month from the date of transfer, standard rent for next two months and double the standard rent for the next two months and thereafter at three times the standard rent. In the case of retirement and death, normal rent was to be recovered for one month after the event, standard rent for the next 3 months and thereafter no further extension was to be given. In the case of resignation and dismissal, there was no provision for retention beyond one month and during the one month period the normal rent was to be paid.

The total arrears of rent which had accumulated against 28 such persons on account of non-compliance with the terms and conditions of allotment of Government residences upto the end of July 1975 was Rs.1.5 lakhs.

The allottees had not vacated the quarters in all the 40 cases even after the lapse of the extended periods, but no steps had been taken to get the quarters vacated or to recover the arrears of rent from them.

(5) *Rent receipts against maintenance cost*—A review of the rent receipts from the Government residential accommodation at Lucknow and Allahabad showed that even the maintenance charges of buildings were not met from the rent receipts and during the period 1968-69 to 1972-73 alone there was an overall deficit of Rs.34.53 lakhs as follows:—

Year	District	Maintenance expenditure (in lakhs of rupees)	Total assessment of rent (in lakhs of rupees)	Net deficit (in lakhs of rupees)
1968-69	Lucknow	9.28	7.91	1.37
	Allahabad	1.27	0.29	0.98
1969-70	Lucknow	9.53	8.35	1.18
	Allahabad	0.70	0.30	0.40
1970-71	Lucknow	11.90	8.59	3.31
	Allahabad	2.38	0.31	2.07
1971-72	Lucknow	13.07	8.73	4.34
	Allahabad	2.35	0.47	1.88
1972-73	Lucknow	20.63	9.10	11.53
	Allahabad	7.97	0.50	7.47
	Total	79.08	44.55	34.53

The figures for 1973-74 and 1974-75 were not available as the postings of the relevant registers had not been completed by the divisions (October 1975).

(6) *Arrears of rent of Field Hostels*—One Field Hostel was constructed at Lucknow at a cost of Rs.24.00 lakhs in 1974-75 and another at Allahabad at a cost of Rs.11.20 lakhs in 1973-74 for the convenience of the transferred and touring officers. The room rent per month for single room suites and double room suites at Lucknow and Allahabad was fixed at Rs.100 and Rs.150 respectively which were exclusive of electricity and furnishing charges which were payable in addition.

The Field Hostel at Lucknow had 48 single room suites and 24 double room suites and in Allahabad the number of single room suites and double room suites is 24 and 12 respectively. The arrears of occupation charges as on 31st March 1975 were Rs.0.20 lakh at Lucknow and Rs.1.18 lakhs at Allahabad. The accumulation of arrears of occupation charges at Allahabad were attributed to the collection of occupation charges erroneously at 10 per cent of pay of the occupants instead of the amounts fixed by the Government and non-recovery of the difference.

(7) *Arrear of rent in the other district headquarter towns*—The Chief Engineer, P. W. D., was requested to indicate the position of arrears of rent of residential buildings in respect of all Public Works Divisions. The information in respect of 13 divisions upto 1973-74 and 12 divisions upto 1974-75 made available to audit in August 1975 showed that a sum of Rs.8.87 lakhs was outstanding as arrears of rent of residential buildings and Rs.2.13 lakhs in respect of Field Hostels.

In Garhwal Provincial Division, Pauri alone, arrears to the extent of Rs.10,912 on account of rent and Rs.4,172 on account of electric charges were outstanding against three successive Deputy Commissioners.

(8) *Non-payment of water tax by occupants*—Water tax in respect of residential buildings is payable by the Government servants in addition to the monthly rent. In Allahabad the Government servants, who paid rent at 10 per cent of their pay, did not pay water tax aggregating Rs.1.02 lakhs approximately during the years 1968-69 to 1974-75 as detailed below:—

Year	Total water tax due but not paid
	Rs.
1968-69	5,428-60
1969-70	5,428-60
1970-71	5,428-60
1971-72	5,428-60
1972-73	5,428-60
1973-74	16,389-60
1974-75	57,977-30
	Total 1,01,509-90

The points and cases mentioned above were referred to Government in October 1975; reply is awaited (February 1976).

Loss of revenue in Ghaghraghat and Girwa ferries

111. The ferry services on temporary bridges over rivers in the State are leased out by the Public Works Department to contractors who pay to the Government amounts stipulated in the lease deeds in monthly instalments and recover toll from the users of the bridge at rates fixed by Government from time to time.

The Ghaghraghat ferry in the district of Bahraich was leased to a contractor for Rs.1.76 lakhs per annum for 3 years from 5th May 1974 to 4th May 1977 and the Girwa ferry in the district of Bahraich to another contractor for Rs.0.26 lakh per year for 3 years from February 1973 to January 1976.

According to the conditions of the lease deeds, the contractors were to recover toll at the rates specified in the schedule attached to the lease deeds and in case the Government increased the rates of toll during the currency of the lease deeds, the contractors were to recover toll at the increased rates. The lease deeds, however, did not contain any clause binding the contractor to pay additional lease money to Government in lieu of the increased earnings on account of the increase in the rates of toll.

In September 1974, Government issued orders increasing the rates of toll for all ferries in the State from 1st October 1974. The average increase in the toll rates being 50 per cent, revenue forgone by Government owing to the absence of a clause in the lease deed requiring the contractor to pay enhanced lease money in case of revision of toll rates works out to Rs.2.44 lakhs as shown below:—

(In lakhs of rupees)

1. Ghaghraghat ferry	October 1974 to April 1977 (31 months)	2.27
2. Girwa ferry	October 1974 to January 1976 (16 months)	0.17

When this was pointed in audit (August 1975), the Executive Engineer stated (August 1975) that the matter was under correspondence with the Superintending Engineer, Chief Engineer and the Commissioner.

The matter was reported to Government in October 1975; reply is awaited (February 1976).

MINOR IRRIGATION DEPARTMENT

Non-recovery of supervision charges

112. Under the financial rules, when stock materials are sold to public, 10 per cent of the book value is to be recovered in addition to the book value to cover supervision, storage and other charges. Five Minor Irrigation divisions which sold to cultivators stock materials worth Rs.75.23 lakhs required for boring of tubewells during 1967-68 to 1972-73 did not recover supervision, storage and other charges. When the non-recovery of these charges was pointed out in audit, the department sought (January 1971) the Government's approval for exemption from recovery of supervision charges on the ground that the sale to cultivators was on a no-profit no-loss basis. Government clarified (July 1972) that there was no justification for such exemption.

The recovery of Rs.7.52 lakhs on account of 10 per cent charges for supervision, etc., on the sale of stock materials worth Rs.75.23 lakhs has not been effected so far (February 1976).

The matter was reported to Government in October 1975; reply is awaited (February 1976).

LABOUR DEPARTMENT

Non-recovery of dues from trainees

113. The Industrial Training Institutes (run by the Labour Department) impart training to selected candidates in different trades so as to turn out electricians, fitters, wiremen, moulders, steel metal workers, welders, motor mechanics, etc. The duration of the training ranges from 1 to 2 years. The training is imparted free of cost. Besides, one-third of the trainees are paid stipends at Rs.25 per month.

Trainees are required to execute a bond according to which, if they leave the training incomplete on grounds other than ill health, death, etc., they are required to refund to Government the expenses incurred on their training. Training expenses are recoverable at Rs.25 per month from trainees not getting stipend and at Rs.35 per month from stipend holders for the period of training given to them subject to a maximum of Rs.300 each in case of "two years' course" and Rs.200 each in the case of "one year's course".

It was observed in 33 out of 49 institutes in the State during 1971-72 to 1974-75 that 3,716 trainees left their training incomplete. A sum of Rs.6.06 lakhs was recoverable from them as training expenses against which Rs.0.15 lakh only could be recovered. The balance of Rs.5.91 lakhs had not been recovered as yet (October 1975). Government attributed (January 1975) the delay to the cumbersome process of recovery and incorrect addresses given by the trainees and their sureties.

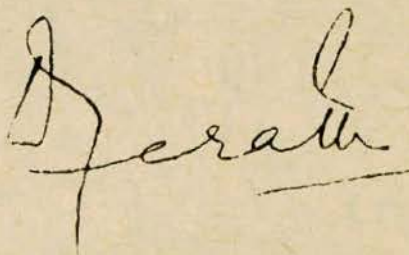
FOOD AND CIVIL SUPPLIES DEPARTMENT

Non-recovery of cost of ration cards

114. The State Government issued orders in June 1973 to the effect that a nominal fee of 10 paise should be recovered from each consumer at the time of issue of a new or a duplicate ration card. The amount so recovered was to be credited in Government treasury as a receipt of the Food and Civil Supplies Department. It was noticed during audit of the District Supply Offices in 8 districts (Azamgarh, Faizabad, Budaun, Jhansi, Orai, Unnao, Pilibhit and Hamirpur) that against 19.68 lakh ration cards issued or renewed between July 1973 and June 1975, cost of only 9.17 lakh ration cards amounting to Rs.0.92 lakh was credited to Government. The receipt of the balance of Rs.1.05 lakhs, being the cost of 10.50 lakh cards, was not accounted for as it was either not re-

covered from the consumers or, if recovered from them, not credited to Government. The reasons for non-accountal of this amount could not be given by any of the offices concerned.

The matter was reported to Government in December 1975; reply is awaited (February 1976).



ALLAHABAD,

The

5 MAY 1976

(D. JERATH)

Accountant General-I, Uttar Pradesh

Countersigned



NEW DELHI,

The

7 MAY 1976

(A. BAKSI)

Comptroller and Auditor General of India

1870 JAN 1

1870 JAN 1

APPENDIX I

(REFERENCE : PARA 7, PAGE 13)

Statement showing cost of collection under the principal heads of revenue

Head of Account	Year	Gross collection	Expenditure on collection	Percentage of expenditure on collection
(In crores of rupees)				
1. Other Taxes on Income and Expenditure	1972-73	0.75	0.07	9
	1973-74	0.59	0.07	12
	1974-75	0.16	0.07	44
2. Land Revenue	1972-73	9.97	4.13	41
	1973-74	24.99	4.41	18
	1974-75	31.11	6.36	20
3. Stamps and Registration Fees	1972-73	14.80	0.53	4
	1973-74	20.51	0.60	3
	1974-75	27.65	0.77	3
4. Taxes on Immovable Property other than Agricultural Land	1972-73	0.12	0.01	8
	1973-74	0.17	0.01	6
	1974-75	0.02	0.01	50
5. State Excise	1972-73	30.89	0.64	2
	1973-74	36.57	0.73	2
	1974-75	38.96	0.88	2
6. Sales Tax	1972-73	86.80	1.53	2
	1973-74	1,01.18	1.99	2
	1974-75	1,35.42	2.19	2
7. Taxes on Vehicles	1972-73	10.26	0.17	2
	1973-74	11.69	0.22	2
	1974-75	13.42	0.22	2
8. Taxes on Goods and Passengers	1972-73	8.69	0.14	2
	1973-74	13.22	0.16	1
	1974-75	14.26	0.18	1

APPENDIX I—(concl.)

(REFERENCE : PARA 7, PAGE 13)

Statement showing cost of collection under the principal heads of revenue

Head of Account	Year	Gross collection	Expenditure on collection	Percentage of expenditure on collection
(In crores of rupees)				
9. Taxes and Duties on Electricity	1972-73	5.29	0.09	2
	1973-74	4.22	0.11	3
	1974-75	2.09	0.16	8
10. Other Taxes and Duties on Commodities and Services	1972-73	10.21	0.06	1
	1973-74	12.35	0.09	1
	1974-75	12.91	0.12	1
11. For. st	1972-73	24.66	2.40	10
	1973-74	27.37	2.94	11
	1974-75	17.83	2.00	11

APPENDIX II

(REFERENCE : PARA 101(3), PAGE 66)

Table showing the loss of revenue due to extraction of resin through contractors

Year	No. of channels tapped by contractors in Reserve Forest		Yield in quintals			Market price at rail head in Tehri Circle (per quintal)
	Under loaded contract system	Under unloaded contract system	Department's share	Contractor's share	Total	
1	2	3	4	5	6	7
1967-68	8,87,956	Nil	12,220	19,281	31,501	Rs. 107.96
1968-69	6,44,584	6,62,965	14,678	27,602	42,280	146.61
1969-70	7,90,200	7,42,015	15,621	36,548	52,169	215.63
1970-71	8,42,100	10,18,741	16,834	37,743	54,580	216.13
1971-72	10,38,335	10,90,078	22,686	59,462	82,148	250.00
Extraction through contractor's agency				Extraction if done departmentally		
Under loaded contract		Under unloaded contract	Total earnings under contractor's system	Cost of extraction upto rail head		Sale proceeds at market price at rail head
Royalty on channels tapped	Earnings from departmental share	Royalty on channels tapped				
8	9	10	11	12	13	
Rs. 6,39,318 (@ Rs. 72 per 100 channels)	Rs. 3,41,671 (@ Rs. 27.93 per quintal)*	Nil	Rs. 9,80,989	Rs. 21,10,567 (@ Rs. 67 per quintal)	Rs. 34,00,848	
Rs. 53,245 (@ Rs. 8.26 per 100 channels)	Rs. 9,77,702 (@ Rs. 66.61 per quintal)*	Rs. 3,24,853 (@ Rs. 49 per 100 channels)	Rs. 13,55,801	Rs. 33,82,400 (@ Rs. 80 per quintal)	Rs. 61,98,671	
Rs. 8,96,719 (@ Rs. 113.48 per 100 channels)	Rs. 20,87,454 (@ Rs. 133.63 per quintal)*	Rs. 10,61,081 (@ Rs. 143 per 100 channels)	Rs. 40,45,254	Rs. 42,77,858 (@ Rs. 82 per quintal)	Rs. 1,12,49,201	
Rs. 9,55,615 (@ Rs. 113.48 per 100 channels)	Rs. 22,57,944 (Rs. 134.13 per quintal)*	Rs. 14,56,800 (@ Rs. 143 per 100 channels)	Rs. 46,70,359	Rs. 44,67,373 (@ Rs. 81.85 per quintal)	Rs. 1,17,96,375	
Rs. 25,47,659 (@ Rs. 245.36 per 100 channels)	Rs. 36,29,760 (@ Rs. 160 per quintal)*	Rs. 56,57,505 (@ Rs. 519 per 100 channels)	Rs. 1,18,34,924	Rs. 76,80,838 (@ Rs. 93.50 per quintal)	Rs. 2,05,37,000	

*Market price at rail head minus cost of extraction paid to contractors and carriage expenses.

APPENDIX II—(concl'd.)

(REFERENCE : PARA 101(3), PAGE 66)

Table showing the loss of revenue due to extraction of resin through contractors

Total departmental earnings (Col. 13—Col. 12)	Loss of revenue due to extraction through contractor's agency (Col. 14—Col. 11)	Loss per quintal
14	15	16
Rs.	Rs.	Rs.
12,90,281	3,09,292	9·82
28,16,271	14,91,470	35·28
69,71,343	29,26,089	56·08
73,29,002	26,58,643	48·71
1,28,56,162	10,21,228	12·43
	Total 84,06,732	
	or	
	Rs. 84·07 lakhs	