

ERRATA

Page No.	Para. No.	Line	<i>For</i>	<i>Read</i>
3 & 4	3		Budget Estimates.	Revised Estimates.
13	10	28th	Maharashtra Road Transport Corporation.	Maharashtra State Road Transport Corporation.
15	10	39th	States is	States are
29	36	6th	assesment	assessment
31	38	1st	Statuory	Statutory
34	43	7th	kilometer	kilometre
37	49	3rd	kilometers	kilometres
43	Table A	Caption	Maxium	Maximum.
53	66	8th	accommodaton	accommodation
55	70	8th	intructions	instructions
55	70	9th	failure	failure
56	71.3	5th	examptions	exemptions.
56	71.3	20th	ticket	tickets
57	71.5	caption	Date of Government order and exemption	Date of Government order of exemption.
57	71.5	caption	crossing the mark Rs. 1 lakh.	crossing the mark of Rs. 1 lakh.

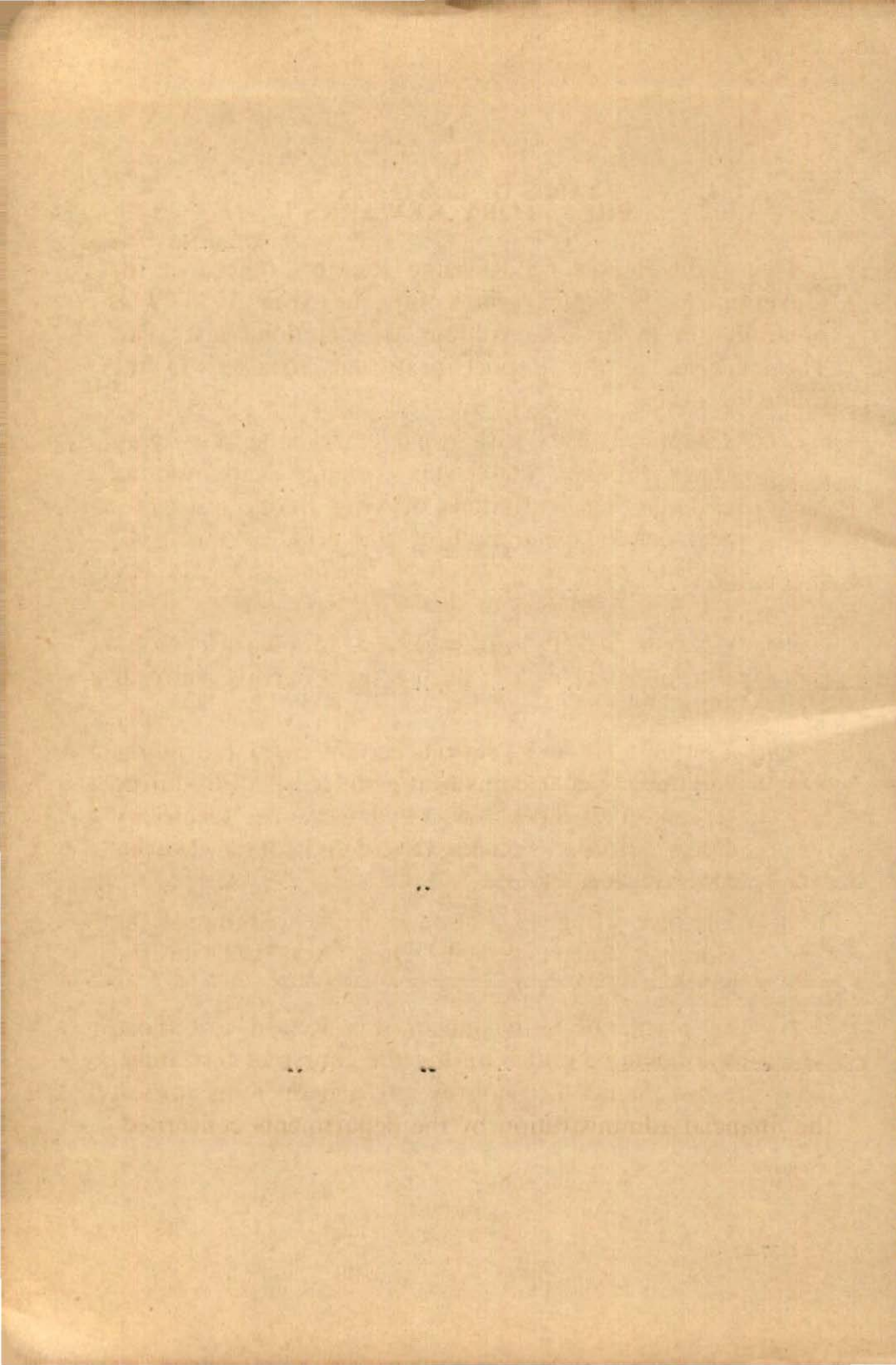
TABLE

Year	1880	1881	1882	1883	1884	1885	1886	1887	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900
Population	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000	1,350,000	1,400,000	1,450,000	1,500,000	1,550,000	1,600,000	1,650,000	1,700,000	1,750,000	1,800,000	1,850,000	1,900,000	1,950,000	2,000,000
Area	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Exports	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Imports	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Revenue	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Expenditure	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR 1973 - 74
GOVERNMENT OF MAHARASHTRA
REVENUE RECEIPTS

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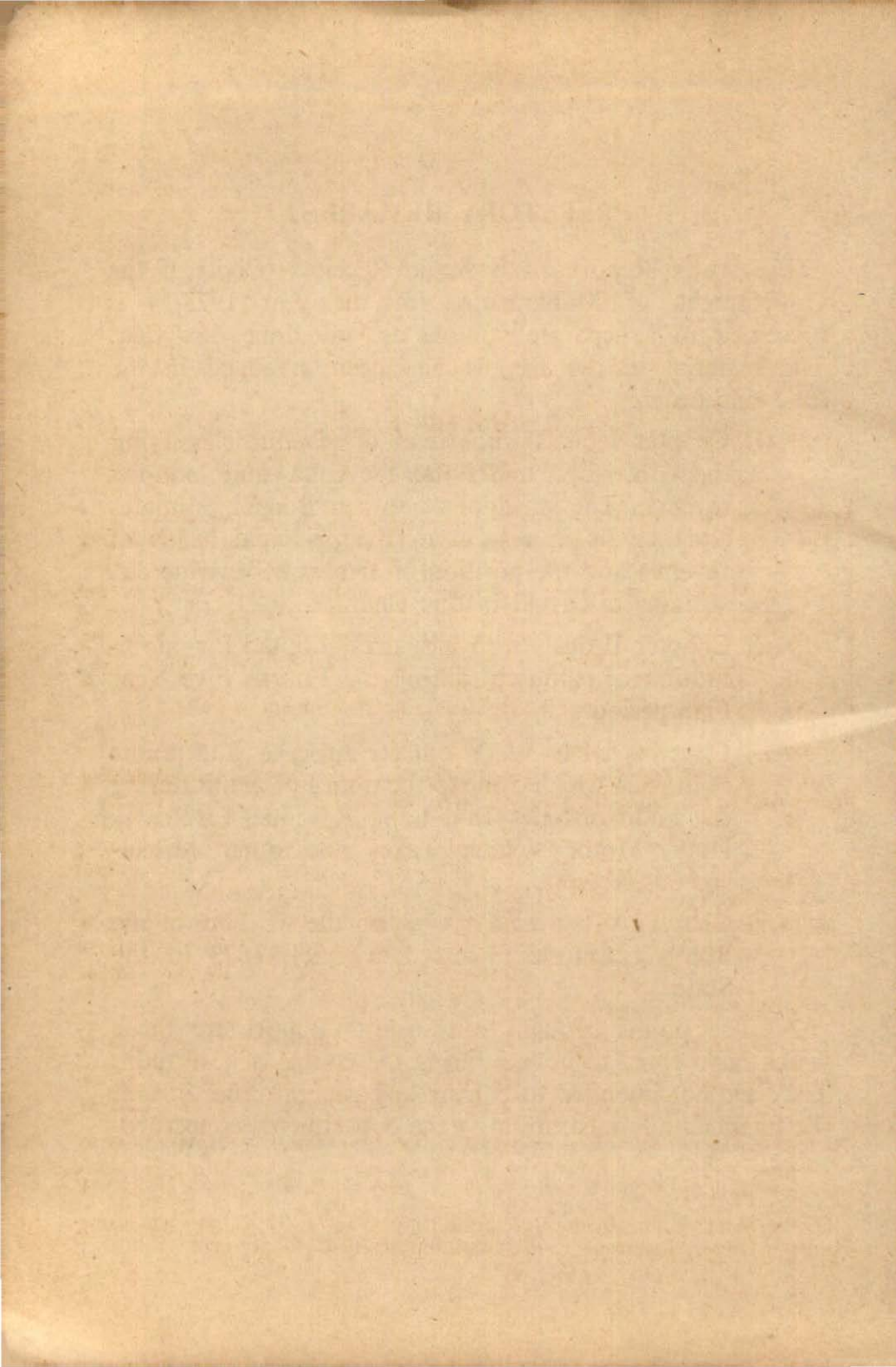


PREFATORY REMARKS

The Audit Report on Revenue Receipts (Civil) of the Government of Maharashtra for the year 1973-74 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 trend of revenue classifying them broadly under tax revenue and non-tax revenue. The variations between Budget estimates and actuals in respect of the principal heads of revenue and the position of arrears of revenue etc. are also discussed in this Chapter.
- (ii) Chapter II deals with measures adopted for mobilisation of resources during the Fourth Five Year Plan period.
- (iii) Chapters III to VI set out certain cases and points of interest which came to the notice of Audit during test audit of Sales Tax, Land Revenue, Electricity Duty, Motor Vehicle Taxes and other Miscellaneous receipts.
- (iv) Chapter VII gives a review on the working of the Bombay Entertainments Duty Act, 1923 in the State.

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



CHAPTER I

GENERAL

Trend of revenue receipts

The total receipts of the Government of Maharashtra for the year 1973-74 were Rs. 743·65 crores against the anticipated revenue of Rs. 749·50 crores. The total revenue realised during the year registered an increase by 42·63 per cent over that of 1971-72 (Rs. 521·38 crores) and 19·66 per cent over that in 1972-73 (Rs. 621·44 crores). Of the total receipts of Rs. 743·65 crores, Rs. 382·38 crores represented receipts raised by the Government under "Tax Revenue" and Rs. 119·64 crores under "Non-Tax Revenue". A sum of Rs. 241·63 crores represented receipts from the Government of India.

2. Analysis of revenue receipts

An analysis of the receipts during 1973-74 along with the corresponding figures for the preceding four years is given below:

	(In crores of rupees)				
	1969-70	1970-71	1971-72	1972-73	1973-74
<i>I. Revenue raised by the State Government</i>					
(a) Tax Revenue	216·53	255·55	274·57	302·67	382·38
(b) Non-tax Revenue	87·33	90·82	100·35	107·91	119·64
Total	303·86	346·37	374·92	410·58	502·02
<i>II. Receipts from Government of India</i>					
(a) States' share of divisible Union taxes	65·43	80·40	101·03	113·38	124·57
(b) Grants-in-aid	26·24	29·54	45·43	97·48	117·06
Total	91·67	109·94	146·46	210·86	241·63
<i>III. Total revenue receipts of the State</i>	395·53	456·31	521·38	621·44	743·65
<i>IV. Percentage of I to III</i> ..	76·82	75·91	71·91	66·07	67·51

Of the State's total revenue receipts during 1973-74, 32·49 per cent came from the Union Government. The State mobilised 67·51 per cent.

2.2. Tax revenue raised by the State

Receipts from tax revenue constitute about 76 per cent of the State's own revenue receipts. An analysis of tax revenue for the year 1973-74 and for the preceding four years is given below:

Receipt	1969-70	1970-71	1971-72	1972-73	1973-74	Increase (+) Decrease (—) with reference to
						1972-73
(In crores of rupees)						
1. Taxes on Income other than Corporation Tax. Taxes on Agricultural Income	1.06	0.05	0.31	(—) 0.14	0.48	(+) 0.62
2. Land Revenue ..	7.97	9.89	12.02	10.25	15.24	(+) 4.99
3. State Excise Duties	7.26	6.82	7.89	10.12	25.16	(+) 15.04
4. Taxes on Vehicles ..	13.06	13.98	15.39	16.33	19.73	(+) 3.40
5. Sales Tax ..	125.34	155.59	156.98	174.66	223.73	(+) 49.07
6. Other Taxes & Duties	48.58	55.86	66.68	73.63	80.14	(+) 6.51
7. Stamps ..	12.11	12.18	14.20	16.60	16.49	(—) 0.11
8. Registration ..	1.15	1.18	1.10	1.22	1.41	(+) 0.19
Total ..	216.53	255.55	274.57	302.67	382.38	(+) 79.71

2.3. Non-tax revenues of the State

Forest, Interest, Irrigation, Navigation, Embankment and Drainage Works, Electricity schemes, Public Works and Industries are the principal sources of non-tax revenue of the State. Receipts from the non-tax revenue constitute about 24 per cent of the revenue raised by the State. An analysis of the non-tax revenue under the principal heads for the year 1973-74 and the preceding four years is given below:

	Receipts during					Increase (+) Decrease (—) with reference to
	1969-70	1970-71	1971-72	1972-73	1973-74	1972-73
(In crores of rupees)						
1. Forest ..	8.64	11.58	15.94	18.48	18.47	(—) 0.01
2. Interest ..	21.22	22.95	28.08	35.13	40.89	(+) 5.76
3. Irrigation, Navigation, Embankment and Drainage Works	2.28	3.65	3.25	3.24	3.37	(+) 0.13
4. Electricity Schemes	4.89	10.70	8.98	9.25	9.29	(+) 0.04
5. Public Works ..	3.08	3.73	4.86	4.80	4.97	(+) 0.17
6. Industries ..	0.86	0.86	1.23	1.10	1.48	(+) 0.38
7. Other Receipts ..	46.36	37.35	38.01	35.91	41.17	(+) 5.26
Total ..	87.33	90.32	100.35	107.91	119.64	(+) 11.73

3. Variation between budget estimates and actuals

The variation of (—) Rs. 5.85 crores between the budget estimates and actuals for 1973-74 comprised an excess of Rs. 18.14 crores in tax revenue, a shortfall of Rs. 1.98 crores in non-tax revenue and less receipt of Rs. 22.01 crores from Government of India on account of the State's share. The comparative figures in respect of the State's tax and non-tax revenue for the five years from 1969-70 to 1973-74 are indicated in the following table :

	Year	Budget estimates	Actuals	Variations	Percentage of variations
(Rupees in crores)					
A. Tax Revenue ..	1969-70	214.46	216.53	(+) 2.07	0.96
	1970-71	261.85	255.55	(—) 6.30	0.24
	1971-72	274.51	274.57	(+) 0.06	0.02
	1972-73	298.90	302.67	(+) 3.77	1.26
	1973-74	364.24	382.38	(+) 18.14	5.00
B. Non-Tax Revenue ..	1969-70	90.49	87.33	(—) 3.16	3.49
	1970-71	92.49	90.82	(—) 1.67	1.80
	1971-72	99.38	100.35	(+) 0.97	0.98
	1972-73	109.88	107.91	(—) 1.97	1.79
	1973-74	121.62	119.64	(—) 1.98	1.63

The variations between the budget estimates and actuals under the principal heads of revenue are given below:

Head of Revenue	Year	Budget estimates	Actuals	Variation (+) Increase (—) Shortfall	Percentage of variation
1	2	3	4	5	6
(In crores of Rupees)					
1. Taxes on Income other than Corporation Tax. Taxes on Agricultural Income	1969-70	1.05	1.06	(+) 0.01	1.00
	1970-71	0.05	0.05	....	....
	1971-72	0.40	0.31	(—) 0.09	22.50
	1972-73	0.38	(—) 0.14	(—) 0.52	136.84
	1973-74	0.10	0.48	(+) 0.38	380.00
2. Land Revenue ..	1969-70	7.34	7.97	(+) 0.63	8.58
	1970-71	13.80	9.89	(—) 3.91	28.33
	1971-72	13.75	12.02	(—) 1.73	12.58
	1972-73	11.39	10.25	(—) 1.14	10.01
	1973-74	15.54	15.24	(—) 0.30	1.93
3. State Excise Duties ..	1969-70	7.50	7.26	(—) 0.24	3.20
	1970-71	7.10	6.82	(—) 0.28	3.94
	1971-72	8.03	7.89	(—) 0.14	1.74
	1972-73	8.84	10.12	(+) 1.28	14.00
	1973-74	23.78	25.16	(+) 1.38	5.80

1	2	3	4	5	6	
		(In crores of rupees)				
4. Taxes on Vehicles	..	1969-70	12.78	13.06	(+) 0.28	2.19
		1970-71	14.45	13.98	(-) 0.47	3.25
		1971-72	15.44	15.39	(-) 0.05	0.32
		1972-73	17.03	16.33	(-) 0.70	0.41
		1973-74	17.17	19.73	(+) 2.56	14.90
5. Sales Tax	..	1969-70	124.21	125.34	(+) 1.13	0.91
		1970-71	152.51	155.59	(+) 3.08	2.02
		1971-72	158.69	156.98	(-) 1.71	1.08
		1972-73	174.17	174.66	(+) 0.49	0.28
		1973-74	208.01	223.73	(+) 15.72	7.56
6. Other Taxes & Duties	..	1969-70	48.40	48.58	(+) 0.18	0.37
		1970-71	58.13	55.86	(-) 2.27	3.91
		1971-72	63.63	66.68	(+) 3.05	4.79
		1972-73	72.47	73.63	(+) 1.16	1.60
		1973-74	82.72	80.14	(-) 2.58	3.12
7. Stamp (Non-Judicial)	..	1969-70	9.11	9.23	(+) 0.12	1.32
		1970-71	11.64	8.74	(-) 2.90	24.95
		1971-72	10.17	10.91	(+) 0.74	7.27
		1972-73	10.60	13.18	(+) 2.58	24.34
		1973-74	12.66	12.97	(+) 0.31	2.45
8. Registration	..	1969-70	1.12	1.15	(+) 0.03	2.67
		1970-71	1.19	1.18	(-) 0.01	0.84
		1971-72	1.38	1.10	(-) 0.28	20.30
		1972-73	1.23	1.22	(-) 0.01	0.80
		1973-74	1.08	1.41	(+) 0.33	30.55
9. Forest	..	1969-70	9.65	8.64	(-) 1.01	10.46
		1970-71	11.78	11.58	(-) 0.20	1.70
		1971-72	14.56	15.94	(+) 1.38	9.48
		1972-73	16.93	18.48	(+) 1.55	9.16
		1973-74	19.16	18.47	(-) 0.69	3.60

In the following cases the variation between the budget estimates and actuals for 1973-74 exceeded 10 per cent. Reasons for variations as stated by the departments are as follows :

Principal sources or Major Heads	Variation Increase (+) Shortfall (-)	Reasons
(In crores of rupees)		
Taxes on Vehicles ..	.. (+) 2.56	Mainly due to additional receipts under the State Motor Vehicles Taxation Act.
Registration ..	.. (+) 0.33	Mainly due to increase in fees for registering documents.
Taxes on Agricultural Income ..	.. (+) 0.38	Mainly due to finalisation of more assessments in the year.

4. Cost of collection

Expenditure incurred in collecting the receipts under the major heads of revenue during the three years from 1971-72 to 1973-74 is given in Appendix.

5. Arrears in assessments

The number of assessments finalised by the Sales Tax department and those pending finalisation at the end of March 1974 as reported by the department, are indicated below :

	Number of assessments for disposal	Number of assessments completed	Percentage of 2 to 1	Number of assessments pending at the end of the year	Percentage of 4 to 1
	(1)	(2)	(3)	(4)	(5)
Sales Tax ..	5,93,901	2,44,894	41	3,49,007	59
Agricultural Income-tax ..	309	242	78	67	22

The following is the yearwise break-up of the pending cases:

Year	Sales tax	Agricultural Income-tax
Upto 1969-70 ..	26,743	24
1970-71 ..	39,524	26
1971-72 ..	89,548	5
1972-73 ..	1,88,490	3
1973-74 ..	4,702	9
Total ..	3,49,007	67

6. Frauds and evasions of sales tax

The following table shows the number of cases detected and assessments finalised and additional tax demand raised :

(a) Number of cases pending on 31st March 1973 ..	2,283
(b) Number of cases detected during 1973-74 ..	3,028
Total ..	5,311
(c) Number of cases investigated ..	2,928
Number of cases in which frauds/evasions were established.	979
Number of cases closed after investigation and scrutiny ..	1,949
(d) Number of cases pending on 31st March 1974 ..	2,383
(e) (i) Number of cases in which prosecution/penal proceedings under relevant provisions of taxing statutes were initiated.	6

	Number	Amount of penalty levied Rs.
(ii) Number of cases in which penalty was imposed and the amount of penalty.	548	74,70,462
Total demand created including amount of penalty	Rs.	2,15,94,136
Additional tax collected ..	Rs.	26,51,494

(Figures are as furnished by the department)

Corresponding figures for State Excise, Agricultural Income-Tax and Land Revenue have not been made available.

7. Uncollected revenue

The total revenue collected and arrears of revenue pending collection as at the end of the three years from 1971-72 to 1973-74 as reported by the Government are as shown below :

Year				Total amount collected	Arrears pending collection at the end of March	Percentage of arrears to total revenue
				(In crores of rupees)		
1971-72	..	..	..	374.92	64.20	17.12
1972-73	..	..	..	410.58	64.20	15.64
1973-74	..	..	..	502.02	67.87†	13.52

The details of the amounts outstanding as on 31st March 1974 are given below :

Serial No.	Source of Revenue				Amount pending collection	Amounts outstanding for more than ten years
(In lakhs of rupees)						
TAX REVENUES						
1	Land Revenue	..	..	..	*	*
2	Sales Tax	..	..	..	3706.23	188.78
3	Agricultural Income-Tax	..	..	..	338.58	Nil
4	Sugarcane Cess and Purchase Tax on sugarcane	..	..	..	122.42	31.50
5	State Excise Duties	..	..	..	85.90	49.08
6	Motor Vehicle Taxes	..	..	..	934.76	*
7	Tax on passengers	..	..	..	547.57	*
8	Tax on goods	..	..	..	273.95	5.91
9	Electricity Duty	..	..	..	16.77	4.31
10	Entertainments Duty and Betting Tax	..	..	..	*	*
NON-TAX REVENUES						
REVENUE AND FOREST DEPARTMENT						
	Forest	..	..	..	305.34	*
BUILDINGS AND COMMUNICATIONS DEPARTMENT						
	Rent of Government Buildings	..	..	..	9.77	*
EDUCATION DEPARTMENT						
	Fees and other receipt of colleges and technical institutes	..	..	..	0.23	*

† This does not include the arrears in respect of some major items of receipt like Land Revenue and Irrigation.

Source of Revenue

Amount
pending
collection

Amounts
outstanding
for more than
ten years

(In lakhs of rupees)

**SOCIAL WELFARE, CULTURAL AFFAIRS, SPORTS AND TOURISM
DEPARTMENT**

Receipts under beggars scheme, Juvenile branch and public health scheme.	2.07	*
Rent of Natya Mandir, Rang Bhavan etc. and of canteens therein.	0.22	Nil

INDUSTRIES AND LABOUR DEPARTMENT

Fees under Indian Electricity Rules	29.37	Nil
Receipts under Bombay Lift Act	0.50	Nil
Registration fees under Shops and Establishments Act ..	0.07	Nil
Licence fee under Factories Act	0.22	Nil
Receipts under Mineral Concession Rules and Minor Mineral Rules.	81.95	6.15
Receipts from Nasik and Chitali distilleries, rent of sheds in Industrial estates and workshop receipts.	54.01	10.00

AGRICULTURE AND CO-OPERATION DEPARTMENT

(i) Sale proceeds of Fish i. e., shark liver oil and Fish meal and service charges for freezing and storing etc.	1.79	0.02
(ii) Audit Fees	102.93	1.18
(iii) Supervision Fees	33.68	0.32

HOME DEPARTMENT

Prison manufacture, canteen etc.	28.09	*
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**URBAN DEVELOPMENT, PUBLIC HEALTH AND HOUSING
DEPARTMENT**

Sale proceeds of sera vaccine and other products	47.67	0.53
Water rates, and Miscellaneous revenue	64.74	*
Rent from D. D. Chawls, Bombay	5.12	0.54
Medical examination fees, maintenance charges etc. ..	15.94	*
Sale of Ayurvedic medicines, college fees, Hospital receipts etc.	3.97	*
Receipts from E. S. I. Corporation of 7/8ths share of expenditure incurred by the State Government.	112.00	Nil

(Figures are as furnished by the departments.)

* Figures not furnished by the departments.

7.2. An analysis of arrears of revenue pending collection as on 31st March 1974 in respect of certain departments is given below :

(a) *Sales Tax and Agricultural Income-Tax.*—The demand raised but not collected as at the end of March 1974 under Sales Tax and Agricultural Income-Tax amounted to Rs. 3706 lakhs and Rs. 339 lakhs as against Rs. 3528 lakhs and Rs. 330 lakhs respectively outstanding at the end of March 1973. Yearwise analysis of the outstandings is given below :

Year	Arrears as on	
	31st March 1973	31st March 1974
	(In lakhs of rupees)	
<i>Sales Tax</i>		
Upto 1968-69	658	538
1969-70	214	196
1970-71	426	364
1971-72	618	427
1972-73	1612	682
1973-74	....	1499
Total	3528	3706
<i>Agricultural Income-Tax</i>		
Upto 1968-69	30	27
1969-70	22	10
1970-71	31	19
1971-72	24	14
1972-73	223	178
1973-74	....	91
Total	330	339

According to information furnished by the department (October 1974) the amount of arrears as on 31st March 1974 was in the following stages of action :

Stage of action	Sales Tax	Agricultural Income-Tax
	(In lakhs of rupees)	
1. Assesseees have gone in appeal/revision and stay granted	613	246
2. Claims pending in Civil Courts and High Court	274	34
3. Recovery certificates have been returned by the revenue authorities as the whereabouts of the dealers are not known.	112	....
4. Requisitions have been issued and recovery is in progress	1855	33
5. Dues realisable from Government offices.	115	....
6. Recovery certificates are still to be issued by the Sales Tax Department.	590	26
7. Other reasons	147*	....
Total	3706	339

*Of this amount Rs. 53.50 lakhs represent cases in which revenue recovery certificates issued by the Sales Tax Department are not traceable with the Revenue authorities.

(b) *Electricity Duty*.—Section 3 of the Bombay Electricity Duty Act, 1958 prescribes levy of electricity duty on consumers on the units of energy consumed at varying rates from 0·8 paise to 10 paise per unit according to the purposes as prescribed in Schedule A to the Act. The licensee is to collect this duty from the consumers and remit it to Government.

The arrears of electricity duty as on 31st March 1974 were to the tune of Rs. 16·77 lakhs as against Rs. 17·38 lakhs outstanding on 31st March 1973.

Details of the major items of arrears are as follows :

Name of the licensee	Amount (In lakhs of rupees)	Remarks
1. Kalyan Electricity Supply Co. Pvt. Ltd.	1·77	The arrears pertain to the period prior to 1958. The Company has been taken over by Maharashtra State Electricity Board and the question of valuation of assets is pending with the Arbitrator.
2. Sholapur Spinning and Weaving Mills	1·92	Pertain to the period prior to 1964-65. The matter is pending with official Liquidator.
3. Bombay Electricity Supply and Transport (Consumption on trolley buses)	5·42	The matter is pending in the court.
4. Usmanshahi Mills, Nanded ..	2·76	Claim for the payment of electricity dues is yet to be lodged with the National Textile Corporation which has taken over the Mill.

(c) *Forest*.—Arrears of revenue pending collection at the end of March 1974 in the Forest Department amounted to Rs. 305·34 lakhs. The arrears represented the amount due from other departments, Government of India, Public Sector undertakings, private parties etc., towards value of forest produce supplied, lease rent of forest area, liability of contractors etc.

The break-up of the arrears is as follows :

	(In lakhs of rupees)
1. Amount pending for want of receipted challan	34·88
2. Amount referred to Revenue Authorities for collection ..	36·36
3. Amount pending for want of finalisation of court cases ..	5·17
4. Amount recoverable from Forest Labour Co-operative Societies.	28·06
5. Amount recoverable from forest contractors	178·46
6. Miscellaneous	22·41
Total ..	305·34

(d) *Motor Vehicle Taxes*.—The arrears of Motor Vehicle Taxes outstanding on 31st March 1974, as reported by the department, amounted to Rs. 1756·28 lakhs as against Rs. 1577·23 lakhs outstanding as on 31st March 1973. The arrears are increasing as shown below :

	As on 31st March 1974	As on 31st March 1973	As on 31st March 1972
(In lakhs of rupees)			
Bombay Motor Vehicles tax	934·76	891·41	594·94
Tax on passengers	547·57	444·73	347·42
Tax on goods	273·95	241·09	253·17

Out of the arrears, recovery of Rs. 21·18 lakhs (Passenger Tax) and Rs. 6,175 (Goods Tax) is stayed by the High Court. Further, arrears of Rs. 243·17 lakhs (B. M. V. Tax) and Rs. 35·20 lakhs (G. T.) have been referred to the Revenue Department for effecting the recoveries as arrears of land revenue.

(e) *State Excise Duties*.—The arrears of State Excise Duties amounting to Rs. 85·90 lakhs as on 31st March 1974 consist of the following items :

	(In lakhs of rupees)
(i) Licence fee of toddy shops	36·00
(ii) Arrears under the Medicinal and Toilet Preparations Act, 1955	0·82
(iii) Other miscellaneous arrears pertaining to the pre-prohibition period	49·08
Total ..	85·90

(f) *Mineral Revenue Arrears*.—According to the information furnished by the department (November 1974) the amount of arrears of Rs. 81·95 lakhs as on 31st March 1974 fell under the following categories :

Categories	Amount (Rs. in lakhs)
Stay orders by courts and by other authorities	37·27
Defaulting companies liquidated	1·91
Whereabouts of defaulters not known	0·07
Revenue Recovery certificates sent to the Collectors of other States	1·36
Revenue Recovery certificates sent to the Collectors within the State	13·24
Recovery in progress	28·10
Total ..	81·95

8. Write off, waivers and remissions of revenue

Details of demands written off, waived and remissions made during 1973-74 as furnished by the departments are given below :

SALES TAX

According to the figures furnished by the department demands aggregating Rs. 25.77 lakhs were written off and Rs. 0.92 lakh granted as remission during the year 1973-74.

Reasons for write off as reported by the department are indicated below :

	Bombay Sales Tax Act		Central Sales Tax Act	
	No. of cases	Amount (In lakhs of rupees)	No. of cases	Amount (In lakhs of rupees)
1. Assessee died leaving behind no assets ..	80	0.73	3	0.11
2. Assessee did not possess attachable assets	218	5.20	5	0.03
3. Assessee not traceable	594	9.42	20	2.82
4. Assessee companies went into liquidation	31	1.52	....	....
5. Assessee left India	3	0.02	....	....
6. Other reasons	46	5.92	....	....
Total ..	972	22.81	28	2.96
			No. of cases	Amount Rs.

MOTOR VEHICLES TAX

Waiver of arrears of M. V. Tax in respect of a motor vehicle, whereabouts of the owner not traceable.	1	2,781
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ELECTRICITY DUTY

Waiver of electricity duty	4	560
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MISCELLANEOUS

Irrecoverable amount of fees	18	24,796
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9. Comparative position of actual receipts under some principal heads relating to certain States

The table below gives incidentally the figures of receipts from some principal sources of revenue in the State of Maharashtra and the corresponding figures of receipts of some other States :

	Land Revenue	State Excise	Sales Tax	M. V. Taxes	Registration	Stamp Duty
	(In crores of rupees)					
ANDHRA PRADESH						
1971-72	19.91	34.71	50.00	15.82	3.14	9.13
1972-73	11.26	34.19	54.70	15.83	1.48	6.35
1973-74	41.90	43.73	73.86	20.31	3.03	11.58
TAMIL NADU						
1971-72	8.25	22.23	98.97	23.00	3.37	14.36
1972-73	7.36	39.15	114.02	26.15	3.46	15.77
1973-74	7.84	56.46	132.25	27.63	3.99	21.63
MAHARASHTRA						
1971-72	12.02	7.89	156.98	15.39	1.10	14.20
1972-73	10.25	10.12	174.66	16.33	1.22	16.60
1973-74	15.24	25.16	223.73	19.73	1.41	16.49

CHAPTER II

MOBILISATION OF RESOURCES

10. The Fourth Five Year Plan stressed the need for mobilisation of additional resources by the State Government for financing plan and non-plan requirements during the plan period (1969 to 1974). This was sought to be achieved by adopting specific measures like (i) additional taxation, especially of agricultural incomes and urban property values and (ii) efficient and profitable operation of public undertakings and a more effective drive for small savings, particularly in rural areas. Efforts were to be directed to augment resources by—

- (i) mobilising additional resources in the rural sector, especially from the Agricultural sector ;
- (ii) enhancing the rate of taxation and by rationalising the tax system ;
- (iii) tapping the source of unearned increment in income and wealth as a result of increase in land values in and around developing urban areas ;
- (iv) withdrawing tax incentives when the purposes have been served by them and where the return is not commensurate with the revenue lost ; and
- (v) raising the rate of return on capital employed in Electricity undertakings, and by Industrial and Commercial undertakings other than public utilities, as well as by improving financial returns from Irrigation Projects.

The estimated plan outlay during the Fourth Five Year Plan for the State of Maharashtra was Rs. 898·12 crores and was distributed under various heads as follows :

				(Rs. in crores)
1.	Agricultural and allied Sectors	..	..	206·35
2.	Irrigation and Power	..	..	393·00
3.	Transport and Communications	..	..	67·02
4.	Industry and Minerals	..	..	20·50
5.	Education, Public Health and other Social Services	..	..	210·15
6.	Miscellaneous	..	..	1·10
			Total ..	898·12

Excess/shortfall and reasons therefor.—Against the targets set forth by the State Government to raise resources during the Fourth Plan period to meet the estimated plan outlay of Rs. 898·12 crores, the actual realisations were Rs. 1005·78 crores as indicated below :

	Targets (Rupees in crores)	Realisa- tions (Rupees in crores)
1. State's budgetary sources (other than negotiated loans and market borrowings by State enterprises).	*445·62	440·72
2. Additional resources Mobilisation	80·00	146·14
3. Borrowings by the State Government	91·00	113·26
4. Borrowings by the State Enterprises	36·00	65·88
5. Central assistance	245·50	239·78
Total	898·12	1005·78

The figure 445·62 crores against item 1 above includes Rs. 60 crores on account of the anticipated allocation of the State's share of Small Savings. Similarly, the figure Rs. 440·72 crores includes Rs. 149·50 crores, the amount actually allocated as the States share of Small Savings. These amounts appear under Public Debt and hence should have normally been included in item 3 above.

It may be seen from the table that though the resources raised exceeded the plan outlay by Rs. 107·66 crores, the increases were actually under 2, 3 and 4 above. The reasons for excess and shortfall in the different spheres are analysed in the following paragraphs

Tax and non-tax receipts.—The State's budgetary resources (other than negotiated loans) of Rs. 445·62 crores assumed in the Fourth Five Year Plan document envisaged a balance of Rs. 36·82 crores from current revenues. The total balance of current revenue during the plan period showed a deficit of Rs. 42·32 crores, the shortfall being Rs. 79·14 crores. This was stated to be mainly due to revision of pay scales of Government employees and payment of enhanced dearness and other allowances. There was also a shortfall in respect of contributions from the Maharashtra State Electricity Board and the Maharashtra Road Transport Corporation. In these cases, against the estimated resources of Rs. 58·85 crores, the actual realisations were only Rs. 27·42 crores. These shortfalls were substantially off-set by increase in the share of small savings from Rs. 60 crores (estimated) to Rs. 149·50 crores (actuals) and in miscellaneous Capital receipts from Rs. 229·13 crores (estimated) to Rs. 241·68 crores (actuals).

Sales Tax.—The receipts on account of Sales Tax increased from Rs. 106·45 crores in 1968-69 to Rs. 223·73 crores in 1973-74, registering an increase of Rs. 117·28 crores, accounting for an average annual rate of increase of 22 per cent. An increase of Rs. 20·66 crores is stated to be attributable to enhancement of rates of Sales Tax at varying rates for different commodities in 1969-70, 1971-72 and 1972-73.

The measures taken during the plan period to augment the receipts under this head are given below:

Year	No. of items on which rate of sales tax is raised	Anticipated return	Additional revenue realised due to enhancement (figures are as furnished by the department)	
			Year	Amount (In crores of rupees)
<i>General Sales Tax</i>				
1969-70	81	Rs. 90 lakhs in full year and Rs. 45 lakhs in 1969-70.	1969-70	0.47
			1970-71	1.75
			1971-72	1.93
			1972-73	1.86
			1973-74	2.29
1972-73	90	Rs. 274 lakhs in full year and Rs. 137 lakhs in 1972-73.	1972-73	1.16
			1973-74	3.42
				12.88
<i>Sales Tax on aviation motor spirit</i>				
1969-70	....	Rs. 30 lakhs in full year and Rs. 15 lakhs for 1969-70.	1969-70	0.25
			1970-71	0.51
			1971-72	0.55
			1972-73	0.59
			1973-74	0.74
1971-72	....	Not readily available.	1971-72	0.71
			1972-73	1.00
			1973-74	1.29
1972-73	....	Rs. 122 lakhs in full year and Rs. 61 lakhs in 1972-73.	1972-73	0.59
			1973-74	1.55
				7.78
Total			..	20.66

While adoption of specific measures as indicated above did result in the augmentation of receipts under this head to some extent, the general rise in prices over the period played a significant part in stepping up the collections from this source, sales tax being levied on an ad valorem basis. The table below indicates the rise in general price index during the plan period:

Year	Collection of Sales Tax in crores of rupees	All India Wholesale Price Index Number (All commodities)
Base 1961-62=100		
1969-70	.. .. 125.34	171.6
1970-71	.. .. 155.59	181.1
1971-72	.. .. 156.98	188.4
1972-73	.. .. 174.66	207.0
1973-74	.. .. 223.73	262.1

(Dec. 1973)

(Source :Table 15, p. 39 of Maharashtra—An Economic Review 1973-74).

State excise duties.—During the Fourth Plan period, Maharashtra State was pursuing a policy of prohibition. However, from December 1968, the State Government liberalised the prohibition policy by introducing a scheme for free sale of toddy under which licences for sale of toddy were issued by public auction. This accounted for an increase in the State Excise receipts from toddy by about Rs. 1.5 crores annually on an average from 1968-69 onwards. There was further liberalisation of prohibition in August 1972 under which persons above the age of 21 years desiring to consume liquors could be freely given permits without any conditions. The rate of levy of excise duty on spirits was also reduced from December 1972. This led to increase in consumption of liquor. The country liquor scheme was also introduced in 1973-74. The effect of these measures was a sudden spurt in the receipts from Rs. 10.12 crores in 1972-73 to Rs. 25.16 crores in 1973-74. (This includes Rs. 1.5 crores on account of toddy receipts.) A statement showing the consumption of liquor during the plan period is given below:

Year	Consumption in bulk litres			Collection of State Excise duties (In crores of rupees)
	Indian Made Foreign liquor	Country liquor	Toddy	
1969-70	.. 58,94,168	....	Not available	7.26
1970-71	.. 64,80,151	....	Do.	6.82
1971-72	.. 73,49,622	....	2,43,44,576	7.89
1972-73	.. 1,36,16,159	....	2,12,31,258	10.12
1973-74	.. 2,10,22,405	1,98,93,000	Not available	25.16

Land Revenue.—The basic rate of levy of Land Revenue has remained the same during the plan period. However, the State Government levied a cess of 20 paise on a rupee of Land Revenue with effect from 1st May 1962 in all the areas of the State, the proceeds of which go to the Zilla Parishads, and an additional cess of 20 paise on a rupee of Land Revenue, which is meant for the village Panchayats. Under the Zilla Parishads and Panchayat Samitis Act, the Government is empowered to raise the rate of cess upto 150 paise on a rupee. Accordingly, additional cess has been levied at varying rates in different Zilla Parishad and Panchayat Samiti areas. The increase in Land Revenue from Rs. 9.89 crores in 1970-71 to Rs. 15.24 crores in 1973-74 is attributed to the increase in the rate of cess as indicated above.

Taxes on vehicles.—While the number of motor vehicles in operation in Maharashtra increased from 2,27,926 in 1969 to 4,10,450 in 1974, the receipts on account of Motor Vehicles Tax increased from Rs. 13.06 crores in 1969-70 to only Rs. 19.73 crores in 1973-74; considering the fact that among the bigger States Maharashtra ranks first in the number of vehicles per lakh of population (613 as on 31st March 1971) the tax realised appears to be on the low side. Corresponding figures for two other States is given below:

State	No. of vehicles per lakh of population	Motor vehicles Receipts 1973-74
		(In crores of rupees)
Andhra Pradesh	.. 289	20.31
Tamil Nadu	.. 304	27.63

Other changes in the Tax structure.—Refugee Relief Tax was imposed in October/December 1971 in the form of an additional levy on (1) Tax on Motor Vehicles, (2) Tax on passengers carried by road, (3) Entertainments Duty (4) Education cess and (5) Purchase Tax on Sugarcane. From 1st May 1973, the nomenclature of the levy was changed from Refugee Relief Tax to Scarcity Relief Tax with an estimated revenue of Rs. 5 crores for meeting the expenditure on scarcity relief measures. Though the receipts were earmarked for the specific purpose of scarcity relief, no special fund was created nor any rules for the utilisation of these receipts for the purposes for which they were intended had been laid down (April 1975).

Non-tax revenue :—The non-tax revenue which stood at Rs. 88·39 crores in 1969-70 increased to Rs. 120·55 crores in 1973-74 registering an increase of 38 per cent as against the corresponding rise of 78 per cent in the case of tax revenue. Interest (Rs. 21·22 crores in 1969-70 to Rs. 40·88 crores in 1973-74) and Forest (Rs. 8·63 crores in 1969-70 to Rs. 18·47 crores in 1973-74) accounted for the major part of the increase. However the receipts on account of State Lotteries declined from Rs. 5·61 crores (net) in 1969-70 to Rs. 1·93 crores (net) in 1973-74.

Besides the taxation measures adopted by the State Government, State undertakings viz. Maharashtra State Electricity Board and Maharashtra State Road Transport Corporation have raised their rates to augment their receipts.

Borrowings :—Borrowing by the State over the Plan period:

The plan document provided for borrowings by the State to the extent of Rs. 91 crores over the plan period, including Rs. 14 crores as loans from Reserve Bank of India and Life Insurance Corporation. As against this, the actual realisations were Rs. 113·26 crores of which actual borrowing from Reserve Bank of India and Life Insurance Corporation was Rs. 9·88 crores as per details given below :

	Target	Actuals
	(In crores of rupees)	
1. Borrowing from the Reserve Bank of India	4·00	3·97
2. Borrowings from the Life Insurance Corporation of India.	10·00	5·91
Total ..	14·00	9·88

Central Assistance.—Central assistance of Rs. 245·50 crores was provided for in the plan document for financing the State Plan schemes. The actual central assistance received was Rs. 239·78 crores (grants Rs. 71·66 crores; loans Rs. 168·12 crores).

Transfer of resources from Centre to State.—The following table shows the rising trend in the transfer of resources from Central Government to the State during the plan period :

Year	Transfer through the Finance Commission	Transfer through the Planning Commission (In crores of rupees)	Other transfers	Total
1969-70	66·91	47·20	(—)12·99	101·12
1970-71	81·88	41·53	16·12	139·53
1971-72	102·51	44·08	58·94	205·53
1972-73	114·86	42·16	175·40	332·42
1973-74	126·05	39·22	133·44	298·71
Total	492·21	214·19	370·91	1077·31

Per capita income and per capita revenue from taxes.—One way of looking at the tax performance of the State may be to see the ratio of per capita revenue to the per capita income of the State. The following table indicates the ratio of per capita revenue to per capita income of the State during the five years of the Fourth Plan period, as taken from a State Government document:

Year	Population (in crores)	Per capita revenue from taxation (in rupees)	Per capita income (at current prices) (in rupees)	Ratio of col. 4 to 3 (Percentage)
1969-70	4·36	49·66	731	6·80
1970-71	4·98	51·32	778	6·60
1971-72	5·10	53·84	803	6·70
1972-73	5·23	57·87	825	7·01
1973-74	5·36	71·34	Not available	

(Source—Economic Review of the State Government.)

Receipts from Irrigation Projects.—The progressive capital outlay on Major, Medium and Minor irrigation projects rose from Rs. 2,91·92 crores at the end of 1971-72 to Rs. 4,20·09 crores at the end of 1973-74. The area actually under irrigation from Government source was 1,262 thousand acres and the actual cost of maintenance of these projects during 1973-74 was Rs. 4·77 crores as against the annual requirements of Rs. 1·26 crores on the basis of Rs. 10 per acre. Revenue derived from irrigation in the shape of water rates, irrigation cess, betterment levy etc. during 1973-74 was Rs. 3·05 crores which was less than the maintenance cost of the projects by Rs. 1·72 crores. Water rate per hectare for wheat crop was Rs. 22·50 and the value of produce per hectare was Rs. 773.* The percentage of water rate to value of the produce thus worked out to 2·91 only.

* Appendix IX, Table 5 (b) Report of Finance Commission (1973).

CHAPTER III

SALES TAX RECEIPTS

11. Assessments in 203 Sales Tax offices were test checked between July 1973 and July 1974 with the following results :

Underassessments of Rs. 12.78 lakhs were noticed in 999 assessments and over-assessments of Rs. 1.43 lakhs in 108 assessments. The underassessments broadly fall under the following categories :

	No. of assessments	Amount (in lakhs of rupees)
Incorrect allowance of set-off and exemptions ..	316	2.24
Errors and omissions in determining the taxable turnover of sales and purchases.	24	0.32
Non-levy or short-levy of tax	73	0.68
Non-levy or short-levy of penalty	451	6.43
Omission to forfeit tax irregularly collected ..	31	0.38
Other reasons	104	0.78
Loss of revenue .. .. .	....	1.95
Total ..	999	12.78

Particulars of a few important cases are given in the following paragraphs.

12. Excess allowance of set-off

Under the Bombay Sales Tax Rules, 1959 a dealer manufacturing taxable goods for sale is entitled to set-off of taxes paid or deemed to have been paid on raw material purchased from registered dealers or unregistered dealers in the State and used in the manufacture of such goods. In case such raw material is consumed in the manufacture of both taxable and tax-free goods, only proportionate set-off for the raw materials actually consumed in the manufacture of taxable goods is admissible. For determining the proportionate set-off, by-products which are incidentally obtained in the manufacture of goods,

though taxable, are not to be reckoned as taxable manufactured goods. In the case of a dealer manufacturing both taxable and tax-free goods it was noticed that by-products obtained during manufacture were treated as taxable manufactured goods while working out the proportionate set-off, resulting in excess allowance of set-off of Rs. 10,406. On this being pointed out in audit (February 1972,) the department raised (August 1974) an additional demand for this amount. Report of recovery is awaited (April 1975).

While computing the set-off to be allowed to a manufacturer in respect of tax paid on raw materials, two per cent of the purchase price of the goods is to be deducted. In one case while calculating the set-off to be allowed this deduction was not made resulting in excess allowance of set-off of Rs. 13,347. On this being pointed out in audit (April 1974) the department accepted the underassessment and initiated action (April 1974) for raising the demand. Report of recovery is awaited (April 1975).

13. Set-off on purchases not used in manufacture

Under the Bombay Sales Tax Rules, a manufacturing registered dealer is allowed set-off of the tax paid on the purchases of raw materials provided the raw materials are used by him in the manufacture of taxable goods for sale. Set-off is not admissible when the raw materials are despatched outside the State. It was noticed in one case that the set-off of tax was allowed even on the purchases which were either despatched outside the State or returned to the selling dealer. This resulted in excess set-off of tax of Rs. 8,907. On this being pointed out in audit (April 1973) the department revised the assessment (November 1973) raising an additional demand of Rs. 8,907, which was recovered in March 1974.

14. Incorrect allowance of set-off

Under the Bombay Sales Tax Rules, 1959 set-off of tax allowable to a manufacturing dealer on his tax-paid purchases of raw materials is calculated with reference to the rate of tax applicable to such raw materials. Thus, if incorrect rate of tax for raw materials is adopted for determining the amount of set-off, this would result in excess/less set-off of tax.

It was noticed in one case that though the rate of tax on "English Pale Gold Bronze Powder" was 6 per cent, this was taken as 12 per cent for the purpose of calculation of set-off of tax in the case of a printer for the assessment years 1964-65 to 1966-67. This resulted in excess set-off of tax of Rs. 8,440. When this was pointed out in audit (July 1972), the department agreed (August 1974) to revise the assessments for the years 1965-66 and 1966-67. Revision of the assessment for the year 1964-65 has become time barred. The particulars of recovery are awaited (April 1975).

15. Incorrect allowance of set-off of purchase tax

A manufacturing dealer who purchases goods from unregistered dealers, has to pay purchase tax on such purchases. The purchase tax so levied (in excess of two per cent of the purchase price) is allowed as set-off if the goods are used in the manufacture of taxable goods. During test audit it was, however

noticed that set-off of purchase tax was granted incorrectly in two cases resulting in underassessment of Rs. 6,109. In one case, set-off was given to a dealer who was manufacturing tax-free goods and in the second case, the rate of tax for calculating set-off was taken as six per cent while the rate of purchase tax levied was only three per cent. When these were pointed out in audit (November 1973 and May 1974), the department rectified the assessment orders and raised additional demand. (October 1974 and August 1974). Particulars of recovery are awaited (April 1975).

16. Incorrect determination of turnover

(i) According to the Central Sales Tax Act, 1956, sale or purchase of "declared goods" cannot be taxed at more than one stage under the State Sales Tax laws. Cotton and cotton seeds are two different items of 'declared goods'. According to a Supreme Court decision the levy of tax on the sale or purchase of cotton seeds separated from the tax-paid unginned cotton and obtained in the process of ginning would not amount to taxation at more than one stage as cotton seeds after separation cannot be regarded as forming part of unginned cotton.

In two cases sales of cotton seeds obtained in the process of ginning of unginned cotton were not subjected to tax on the ground that cotton seeds were one of the declared goods and since they formed part of unginned cotton they had suffered tax when the unginned cotton was purchased. When the attention of the department was drawn to the Supreme Court's ruling (August 1971), the sale of cotton seeds was subjected to tax and additional demand totalling Rs. 13,445 raised. The particulars of recovery are awaited (April 1975).

(ii) In two other cases, owing to arithmetical mistakes, the taxable turnover was incorrectly determined at Rs. 1.78 lakhs and Rs. 2.93 crores as against the correct taxable turnover of Rs. 2.78 lakhs and Rs. 2.97 crores respectively. The incorrect computation of taxable turnover resulted in underassessment of tax of Rs. 23,361. On this being pointed out in audit (March 1973, January 1974), additional demands were created, and the entire sum recovered.

17. Incorrect allowance of resale

Under the Bombay Sales Tax Act, the taxable turnover of a dealer is determined after deducting the resales of goods (in the same form) purchased by him from a registered dealer provided an evidence is produced showing that the registration certificate of the original selling dealer was in force on the date of sale to the reseller. This provision has been made to ensure that the sales are taxed in the hands of the original selling dealer. Resales of goods purchased from sources other than registered dealers are liable to be taxed in the hands of the resellers.

Thus, in cases where goods are purchased both from registered dealers and from other sources and it is not possible to link the sales with purchases from registered dealers, resales are allowed on presumptive basis, in proportion to purchases from registered dealers out of the total purchases.

In four cases such presumptive resale for the levy of sales tax was determined incorrectly resulting in underassessment of Rs. 13,066.

On this being pointed out in audit (July 1972, November 1973, December 1973 and February 1974) the department rectified the mistakes and raised additional demands totalling Rs. 13,066 (July 1974 and August 1974). Out of this Rs. 1,805 were recovered in January 1975. Particulars of recovery of the balance are awaited (April 1975).

18. Non-levy of purchase tax

Casual sales of a registered dealer are not subject to sales tax under the Bombay Sales Tax Act. However, these transactions are deemed as purchases from unregistered dealers and are liable to purchase tax if used within the State in the manufacture of goods or transported to any place outside the State otherwise than as a result of resale in the course of inter-State trade and commerce. According to a decision of the Maharashtra Sales Tax Tribunal sales of cotton by textile mills are casual sales.

In one case, purchases of cotton worth Rs. 3 lakhs by a dealer from a textile mill were treated as purchases from a registered dealer and accordingly no purchase tax was levied. However, on cross verification conducted by the department at the instance of audit (September 1973), it was found that the sales had been treated as casual sales in the hands of the selling dealer. Consequently, the assessment of the purchasing dealer was rectified (November 1973) and an additional amount of Rs. 8,480 was recovered (December 1973).

19. Levy of purchase tax at incorrect rate

Under the Bombay Sales Tax Act 1959, where a dealer purchases goods from an unregistered dealer and uses them within the State in the manufacture of goods, he is liable to pay purchase tax. The rate of tax differs according to the nature of the goods purchased.

It was noticed during audit that in the case of a manufacturing dealer who had failed to apply for registration, purchase tax was levied at 3 per cent on the entire purchases from unregistered dealers without classifying the purchases commoditywise and applying the specific rates prescribed for different commodities. Moreover, although the dealer had not registered himself, penalty for non-registration as prescribed in the Act was not levied.

When these were pointed out in audit (January 1974), the department, after verification of the purchases revised (October 1974) the assessment orders for four years and raised additional demand of Rs. 11,083 towards purchase tax and Rs. 3,000 towards penalty for non-registration. The particulars of recovery are awaited (April 1975).

20. Incorrect classification of sale of forest coupes

Divisional Forest Officers who sell forest coupes to contractors are registered dealers under the Bombay Sales Tax Act, 1959. Under the Sales Tax Act all standing timber which is agreed to be severed before sale or under the contract of sale is covered by the definition of the term 'goods' for the purpose of levy of sales tax.

According to the practice obtaining ever since the Divisional Forest Officers were registered as dealers under the Bombay Sales Tax Act whenever a forest coupe is auctioned, the Divisional Forest Officer classifies the sale price of the

coupe into two parts, one for timber and bamboo taxable under the Sales Tax Act, and the other for firewood which has been included in the list of tax-free goods. While on the timber portion of the coupe tax is collected, no tax is collected on the portion classified as firewood.

When a forest coupe is auctioned, all that the parties undertake to sell and buy is the standing timber which is agreed to be severed under the contract of sale. The tax is therefore to be collected on the entire sale price of the forest coupe and not on a part thereof. On a test check in two Divisional Offices it was noticed that the incorrect procedure followed had resulted in short collection of tax amounting to Rs. 1,94,998 in those divisions during the years 1965-66 to 1969-70.

The matter was taken up by the Commissioner of Sales Tax, Bombay with the State Government in November 1968 for issue of instructions but no decision has been taken so far (September 1974).

21. Underassessment of tax due to mistakes in calculation

In the course of test check of sales tax assessments of eleven Sales Tax wards, it was noticed in 16 cases that tax totalling Rs. 32,082 had been underassessed owing to arithmetical errors. When this was pointed out, the department raised additional demands totalling Rs. 26,082 in 14 cases out of which Rs. 7,300 in 6 cases have been recovered. Report on action taken in the remaining two cases and particulars of recovery in eight cases are awaited (April 1975).

22. Omission to levy penalty for belated payments

(i) Under the Bombay Sales Tax Act dealers are required to furnish returns only after paying the tax due as per return into the treasury. The amount of tax assessed or reassessed in addition for any period is also required to be paid into treasury within the date specified in the notice issued. If, however, the dealer fails to pay the tax as per return or within the date as specified in the notice, the assessing authority may levy penalty at the rate of 1 per cent of the amount of tax not paid for each month for the first three months and $1\frac{1}{2}$ per cent thereafter. With effect from 11th May 1973 the rates were enhanced to one and half per cent and two per cent respectively.

In one case a dealer had delayed payments due as per returns as also the additional dues as per the assessment order. While passing orders levying penalty, the assessing officer considered only the penalty for belated payment of dues as per assessment orders, ignoring the default in payment of dues as per returns. On this being pointed out in audit (January 1974), additional penalty of Rs. 1,19,556 was levied and recovered (February 1974).

(ii) In 36 more cases it was noticed that penalty under these provisions was either not levied at all or the amount of penalty leviable was calculated incorrectly resulting in non-levy/short-levy of penalty totalling Rs. 0.77 lakh.

When these cases were pointed out in audit, the department raised additional demands totalling Rs. 0.48 lakh in 17 cases (October 1974). Replies relating to the other cases are awaited. A sum of Rs. 8,338 has been recovered so far in 5 cases (April 1975).

(iii) In two other cases where payments were delayed beyond 11th May 1973, penalty was levied at the old rates instead of the revised rates resulting in underassessment of Rs. 9,109. On this being pointed out in audit (June 1974 and July 1974) the department raised additional demands of Rs. 1,402 and 7,707 (September and October 1974). Particulars of recovery are awaited (April 1975).

23. Omission to levy penalty in cases of mis-statement by dealers

Under the Bombay Sales Tax Act, 1959 penalty is leviable on the dealers for concealment of particulars of any transactions or for knowingly furnishing inaccurate particulars of any transaction liable to tax. The maximum penalty leviable is one and half times the amount of tax. Under the provisions of the Act a dealer is deemed to have concealed the turnover or knowingly furnished inaccurate particulars if the total amount of tax paid with the returns is found to be less than eighty per cent of the tax assessed. The Act also provides that before imposition of penalty, the dealer should be given an opportunity of being heard.

During test audit, it was noticed that in many cases records did not show whether levy of penalty had been considered. Cases were also noticed where the assessing officers, having decided to impose penalty, did not complete the proceedings over long periods varying from 7 months to 3 years. On these being pointed out in audit, penalty was levied by the department for an aggregate amount of Rs. 2.83 lakhs in 53 cases. Report of recovery is awaited (April 1975).

24. Non-levy of penalty for delay in payment of assessed dues

Under the Bombay Sales Tax Act, 1959 a dealer is required to pay the amount of tax due in a Government treasury by such date as may be specified in a notice issued by the Commissioner of Sales Tax. If, however, the dealer fails to pay the tax due on or before the stipulated date, the assessing authority may levy penalty of an amount equal to one per cent of the amount of tax for each month for the first three months after the last date stipulated in the notice, and one and half per cent thereafter till the time the dealer continues to default in payment of tax.

In one case payment of assessed dues of over Rs. 99,000 had been delayed by a dealer by more than five months but no penalty was levied. On this being pointed out in audit, penalty of Rs. 7,014 was levied and recovered (January 1973).

25. Incorrect exemption of sales

(i) Under the Bombay Sales Tax Act, 1959 Government is empowered to exempt in the public interest any specified class of sales or purchases from payment of the whole or any part of any tax payable under the Act. In terms of this provision Government have from time to time granted exemptions by issue of Notifications. During test check it was noticed that in two cases the exemptions were applied incorrectly, resulting in short assessment of Rs. 10,085.

The matter was reported to Government in October 1974; reply is awaited (April 1975).

(ii) *Sales to Military Dairy Farm*.—A registered dealer had sold to Military Dairy Farm cream worth Rs. 2,25,840 during the years 1969 and 1970 which was liable to tax under the Bombay Sales Tax Act at 3 per cent. No tax was however levied on the sales on the ground that the sales were supported by declarations in AF form meant to be given by Central/State Government Departments for purchase of goods for official use at concessional rate of tax of 3 per cent. It was pointed out in audit that this declaration entitled a Central/State Government to purchase goods at a concessional rate of 3 per cent and not on tax-free basis. Moreover, the goods should be for official use of the department and not for the purpose of resale or for use in manufacture as was the case in respect of sales to the Military Dairy Farm. Again, this concession to Central/State Government of purchasing goods at a concessional rate of 3 per cent was granted with effect from 21st July 1970 only whereas the sales to the Military Dairy Farm were during an earlier period. The department thereupon stated that (1) the sales were to be treated as sales to Canteen Stores Department (India) which are exempted from the whole of tax under Section 41 of the Act, (2) the declarations in AF form were wrongly given instead of declaration in AI form which was the prescribed declaration for sales to Canteen Stores Department (India), and (3) the correct declarations had since been obtained. It has, however, been ascertained that the Military Dairy Farm is not a part of Canteen Stores Department (India). The tax-free concession allowed for sales to that department is not, therefore, admissible in respect of sales to the Military Dairy Farm. The underassessment on this account amounted to Rs. 6,811 for two years. The department accepted the objection and raised the additional demand, which was recovered in February 1975.

26. Non-forfeiture of excess collection

Under the Bombay Sales Tax Act, any amount collected by a registered dealer by way of tax in excess of the amount of tax payable by him is forfeited to the Government by way of penalty. During test audit it was noticed that in two cases such collections were not forfeited. When this was pointed out in audit (October 1972 and November 1973), the assessment orders were rectified (April 1974 and November 1973) raising an additional demand of Rs. 13,530 of which an amount of Rs. 1,309 was recovered in November 1973. Particulars of recovery of the balance are awaited (April 1975).

27. Double accountal of credit

Under the Bombay Sales Tax Act and the rules framed thereunder, every dealer is required to pay into the Government treasury the tax due as per the return on or before the due date of submission of return and to submit a copy of the receipted challan to the assessing authority. On finalisation of assessment credit is given for payments made on the basis of the copy of the receipted challan and demand notice is issued for the balance. In four cases it was noticed that credits for payments were either given in excess or twice for the same payments resulting in short demand of Rs. 11,390. On this being pointed out in audit (August 1973 to April 1974) additional demands totalling Rs. 7,390 in three cases (August 1973, May 1974 and December 1974) were raised out of which a sum of Rs. 4,849 has been recovered. Report of action taken in the fourth case is awaited (April 1975).

28. Unauthorised remission and refund of tax

The Maharashtra Purchase Tax on Sugarcane Act, 1962 provides for levy and collection of a tax on the purchases of sugarcane made by the factories for use in the manufacture of sugar. The Act does not, however, provide for any remission or refund of tax under any circumstances.

In May 1970, Government granted remission of purchase tax of Rs. 9.80 lakhs in the case of 11 sugar factories on the sugarcane purchased by the factories on the ground that the sugar factories had agreed to run the factories beyond the normal crushing season and help the cane growers in the disposal of all available sugarcane.

When it was pointed out in audit that the remission was not in accordance with the provisions of the Act (July 1974) Government, while accepting this position, stated (September 1974) that the orders were issued, in exercise of Government's inherent powers to give relief in deserving cases. They further stated that steps were being taken to amend the Act suitably.

The Act as amended in September 1974, however, provides for remission of tax only for the purpose of encouraging the establishment of new factories or for the purpose of enabling factories to overcome any difficulties in the initial periods of manufacture of sugar.

29. Loss of Revenue

Under the Maharashtra Purchase Tax on Sugarcane Act, 1962 every sugar factory is required to pay the tax as per monthly returns within thirty days after the end of every month to which the return relates. In case of default, penalty equal to one per cent per month of the amount of tax payable is leviable. In the case of co-operative sugar factories, Government have granted the concession of payment of tax to the extent of fifty per cent along with monthly return and the balance fifty per cent in equal monthly instalments beginning from the month immediately following the end of the crushing season till the month immediately preceding the next crushing season. If, however, the tax is not paid by the co-operative societies in time, penalty for delay is to be levied at the same rate as in other cases and the delay is to be reckoned from the date on which the payment would have been due but for the concession.

A test check of assessment in respect of some co-operative sugar factories showed that the amount of penalty in cases where there was delay in payment was calculated by reckoning the delay from the date on which payment was due as per the concession extended to co-operative sugar factories, instead of the normal date (i.e. on expiry of thirty days from the end of the month to which the return related). This resulted in short-levy of penalty of Rs. 1,16,668 in four cases. On this being pointed out in audit (March 1972 and January 1974) the department, while accepting the point of short-levy (April 1974 and September 1974) expressed their inability to recover the amount as the cases had become time barred.

30. Over-assessment

Under the Bombay Sales Tax Act, 1959 sale and purchase of "photographic and other cameras and enlargers, lenses, paper, films and plates required for use therewith and spare parts thereof" are taxable at 12 per cent with effect from 1st September 1969. These goods were, however, liable to tax at 10 per cent upto 31st August 1969. It was noticed during the course of test check that in one case sales of these goods pertaining to the period prior to 1st September 1969 were taxed at the rate of 12 per cent resulting in over-assessment of Rs. 9,300.

The matter was reported to Government in November 1974; reply is awaited (April 1975).

CHAPTER IV

LAND REVENUE

31. Results of test audit

Test check of land revenue receipts conducted between December 1973 to September 1974 disclosed that the accounts as maintained did not afford effective control over assessment, collection and accountal of receipts. Documentation was deficient in as much as the following details were not available :—

- (i) correct amount of demand of all kinds of dues from the village;
- (ii) correct amount of land revenue realised during the year;
- (iii) correct amount of arrears due from the village (balances have not been reconciled for a long period); and
- (iv) agreement between village and Taluka accounts.

Further, no separate record is maintained to determine the revenue due by way of non-agricultural assessment resulting in failure to levy assessment on lands diverted for purposes other than agriculture and revise assessments, where due. Unless proper record for this category of land is maintained, it is not possible to assess the extent of revenue which is due and recoverable.

The matter was referred to Government (August 1973). Government stated (November 1974) that the defects would be removed when the new revenue accounting procedure would come into force with effect from 1st August 1975.

A few instances of underassessments and other points are given in the following paragraphs.

32. Non-levy of non-agricultural assessment

Under the Maharashtra Land Revenue Code, 1966, land revenue leviable on any land has to be assessed with reference to the purpose for which the land is used, such as agricultural, residential, industrial, commercial and others. The assessment so fixed is liable to be altered even before the expiry of the guarantee period if there is a change in the purpose for which the land is used. When land is used for non-agricultural purpose it is to be assessed at the standard rate prevailing on that date with effect from the date on which the land is actually used for such purpose.

Government allotted land measuring 150 acres in a village to the Bombay Municipal Corporation in 1963-64 for construction of a residential colony. The land was put by the Corporation to non-agricultural use in 1964-65. However, the non-agricultural assessment in respect of this land for the years from 1964-65 to 1972-73 is yet to be done resulting in short-levy of Rs. 74,000. The case was referred to Government in April 1974; reply is awaited (April 1975).

33. Failure to revise non-agricultural assessment on expiry of guarantee period

Under the Maharashtra Land Revenue Code, 1966, the rent fixed on non-agricultural use of land on the basis of the standard rate which is fixed by the Collector with the approval of Government for every ten years, shall remain in force for a period of fifteen years from the date on which land is actually used for non-agricultural purpose or from the date of change of user of the land. On expiry of such period the assessment is to be revised though the land revenue payable as per old assessment would continue till the assessment is revised.

The Collector of a district had revised the standard rate of rent in respect of non-agricultural holdings for almost all the zones in an urban area from August 1971 and notified the rates in the official gazette on 7th April 1971 and 5th October 1971. The revised rates were leviable on the landholders of these zones if the guarantee periods for their existing assessments had expired. It was noticed in audit that in all these zones even though the guarantee periods had expired, the rent was not revised on the basis of the revised standard rates duly notified. Owing to non-revision of rent on the basis of the revised rates, there was an underassessment of rent of Rs. 2.45 lakhs for the period from 1st August 1971 to 31st July 1973 in respect of 9 zones. The matter was referred to Government in July 1974; reply is awaited (April 1975).

34. Short recovery of land revenue

Under the Maharashtra Land Revenue Code the non-agricultural assessment shall be levied with effect from the date on which any land is actually used for a non-agricultural purpose.

It was noticed in the course of audit of a Taluka (Ramtek) that during the Revenue year 1971-72 nine diversion cases involving past periods were finalised by the Sub-Divisional Officer and instructions for recovery of non-agricultural assessment for the entire period issued. However the Village Officer raised demand for revenue year 1971-72 only and recovered the same but no demand for the assessment due for the past period ranging from 1 to 10 years, amounting to Rs. 57,510 including cess, was raised.

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

34.2. The recovery of land revenue on non-agricultural holdings in a village is made on the basis of entries recorded in Village Form II. An error in the recording of the rate of annual revenue in this register would result in recurring incorrect recovery of land revenue. It was noticed in two cases that though the 'sanads' showed increased rate of land revenue from 1952, this was not recorded in the Village Form II. This resulted in short recovery of land revenue (including local fund cess) to the extent of Rs. 6,210 for the period 1952-53 to 1972-73.

On being pointed out in audit (June 1974) the Government accepted the mistakes in the assessment (December 1974) and ordered recovery. Particulars of recovery are awaited.

35. Underassessment of land revenue on lands used for agricultural purposes

According to the existing instructions all grants or leases of lands with special conditions are to be invariably noted in Section III of Village Form No. II and Taluka Form No. II with a view to reviewing these cases periodically so that special terms attaching thereto can be enforced timely. During the course of test check (May 1973) of land revenue receipts of one Taluka it was noticed that Government lands were leased out on special conditions for reclaiming and bringing these under paddy cultivation. These were duly noted in Section III of VF II and TF II but were never reviewed.

The salient feature of these grants was that these were revenue-free in the initial period and land revenue was subsequently recoverable on a gradually increasing scale and full assessment leviable after specified periods. There were in all 12 grants of which in 6 cases the terms required that assessment should be fixed with reference to fertility of land on the expiry of the period specified in each case. In the remaining cases it was noticed that recovery of land revenue was not being made at the prescribed rates. This was reported to the Government (June 1973); reply is awaited (April 1975).

36. Non-raising of demand

The basis for determining the amount of land revenue due on lands used for non-agricultural purposes is Village Form II and Taluka Form II registers at village and Taluka levels respectively. As per instructions contained in the Manual of Revenue Accounts, whenever diversions are authorised, these are to be duly noted in TF II and VF II registers. The total amount of non-agricultural assessment as disclosed by the VF II register, is transferred to the Tharavband (VF V) which determines the total land revenue demand of the village from various sources. The actual recovery of land revenue and preparation of other land revenue accounts are done on the basis of demands contained in the Tharavband.

In the course of audit of the accounts of some Talukas, it was noticed that in a number of cases although details of diversions were noted in the VF II/TF II registers, no demand based on such entries, was made in the Tharavband. In consequence neither the recovery of non-agricultural assessment could be made nor the assessment due could be shown as arrears against the concerned Khatedars. Failure to raise the demand has resulted in non-levy as well as accumulation of avoidable arrears to the tune of Rs. 1.76 lakhs. The period of non-levy ranged from 1 year to 45 years.

The matter was reported to Government during June 1973 to September 1973; their reply is awaited (April 1975).


37. Non-levy of land revenue on lands under industrial use

Incidence of land revenue is directly linked to the use of the land under Section 67 of the Maharashtra Land Revenue Code, 1966. Further, if the land is occupied and used, the person occupying or using the land is liable to the

payment of land revenue in terms of Section 168 (1). Besides, Section 64 makes all lands, whether applied to agricultural or other use and wherever situate, generally liable to the payment of land revenue to the State Government.

In the course of test check of land revenue receipts of Roha taluka (District Kolaba) it was noticed that an area measuring 376 acres and 36 gunthas was acquired and delivered to the Maharashtra Industrial Development Corporation towards the end of 1969. The agricultural character of this land having been permanently changed to non-agricultural purpose, the agricultural assessment amounting to Rs. 2,208 was cancelled. However, no land revenue either in the form of non-agricultural assessment under Chapter VII or in the form of lease money under Section 39 of the Code, is being recovered. This non-levy involves government revenue to the extent of Rs. 1.50 lakhs to the end of 1972-73, calculated with reference to the standard rate of assessment under Chapter VII. If lease money payable under Section 39 is also taken into account, the amount of revenue involved would be much more.

The matter was referred to Government in July 1973. Reply of the Government is awaited (April 1975).



CHAPTER V

TAXES AND DUTIES ON ELECTRICITY AND TAXES ON VEHICLES

Section A—Taxes and Duties on Electricity

38. Introductory

The Statutory enactments for the levy and collection of taxes and duties on electrical energy are the Bombay Electricity Duty Act, 1958 and the Maharashtra Tax on Sale of Electricity Act, 1963. Under the Indian Electricity Act, 1910 and the Electricity Rules made thereunder the State Government is empowered to levy and realise fees for certain services such as inspection and testing etc. of electrical installations rendered by the Electrical Inspectorate.

Under the Bombay Electricity Duty Act, 1958 a duty is levied on the units of energy consumed by different types of consumers at varying rates depending upon the purpose for which energy is used. The rate varies from 0·80 paise per unit for consumption for agricultural purpose to 10 paise per unit for business, trade or commercial purposes.

Under the Maharashtra Tax on Sale of Electricity Act, 1963 a tax is levied on every unit of energy in excess of 5 million units per year sold by a bulk licensee in respect of all his sales of energy in bulk to a consumer. The present rate of tax is one half of one paise.

A few important cases are mentioned in the following paragraphs.

39. Short-levy of duty

Under the Bombay Electricity Duty Act, 1958 different rates of electricity duty are prescribed on consumption of electrical energy in premises used for different purposes such as commercial, industrial and agricultural. A State Government undertaking engaged in agricultural operations was using electrical energy for pumping of water to its farm land, but before the water was finally diverted into the farm it was supplied to an industrial undertaking for the cooling of its condensers as a reciprocal arrangement. The Corporation was charged duty at the rate prescribed for consumption for agricultural purposes. In the course of an inspection (May 1972) the departmental inspecting officer had suggested that duty should be recovered at the rates applicable for premises

used for industrial purposes, as water was first being used for industrial purposes. It was pointed out in audit (August 1973) that in supplying water to the industry the undertaking had entered into a commercial transaction, and as such the rate of duty applicable should be that relating to premises used for commercial purposes.

Accepting this view the department has raised additional demand of Rs. 2.10 lakhs (March 1974) for the period from January 1971 to August 1973. Report of recovery is awaited (April 1975).

40. Non-levy of tax on sale of electricity

Under the provisions of the Maharashtra Tax on Sale of Electricity Act, 1963 tax is leviable at the rate of one half of a paisa per unit of energy sold by a bulk licensee in respect of all his sales of energy, when such sales of energy are not less than five million units of energy.

The department was not recovering tax on the sale of energy by a bulk licensee to the Construction Divisions of a Hydro-Electric Project although the sales exceeded the limit of five million units per year prescribed in the Act.

On this being pointed out by audit (August 1973), the department recovered tax of Rs. 3.38 lakhs (July 1974) from the bulk licensee for the years 1967 to 1972.

41. Excess refund of duty

Under the provisions of the Bombay Electricity Duty Act, 1958 no duty is payable on the consumption of energy by an electro-chemical or electrometallurgical industrial undertaking, if the price of energy consumed by the undertaking constitutes twenty five per cent or more of the total cost of production incurred by it and the undertaking pays for the energy at the rates prescribed in the Standard Tariff Schedule. It was noticed in one case that an industrial undertaking consumed energy costing Rs. 1,36,70,837 out of which the department determined that energy costing Rs. 69,409 was actually not used for production. As the remaining price of energy consumed constituted more than 25 per cent of the cost of production the entire duty including that not used for production was refunded to the undertaking. When it was pointed out in audit (November 1973) that the undertaking was not entitled to the refund of duty on units of energy costing Rs. 69,409 which were not used for production, the department recovered an amount of Rs. 8,520 (March 1974).

42. Inspection of electrical installations

According to a notification issued by the Government of Maharashtra in 1963 in exercise of powers conferred under Rule 46 of the Indian Electricity Rules, 1966, consumer's installations (other than those specifically excluded under the notification) connected to the supply system are required to be inspected and tested periodically. All extra high, high and medium voltage installations and all low tension installations in factory premises and in places of public amusement including cinema theatres should be inspected at intervals not exceeding one year and all other low voltage installations are required to be inspected within five years of their installation and thereafter at intervals

not exceeding three years. Government have also laid down the scale of fees to be recovered from the consumers for the services of the inspectors for conducting the inspection and tests.

As on 31st March 1974 inspection of 2,81,836 low tension installations out of 4,06,959 installations and 70,230 medium pressure installations out of 3,89,935 due was not conducted, the percentage of arrears being 69 and 18 respectively. Besides, low tension domestic installations in areas other than Bombay City, Thana and Kolaba are not inspected though under the notification of 1963 all installations are required to be inspected. Even in respect of Bombay City, Thana and Kolaba, the inspections were commenced only in 1971 and no inspections were conducted between 1963 and 1971.

The Chief Engineer (Electrical) stated (November 1973) that the arrears could not be overtaken owing to shortage of inspection staff. According to information furnished by the department the probable expenditure on additional staff required for clearance of the arrear inspections is Rs. 13·07 lakhs, against which the additional fees recoverable would be Rs. 21·88 lakhs.

The omission to observe the statutory provision also jeopardizes public safety and increases the chances of electrical hazards.

Section B—Taxes on Vehicles

43. Introductory

Receipts under Taxes on vehicles comprise proceeds of fees and taxes levied under the following Acts and Rules :

- (i) The Motor Vehicles Act, 1939.
- (ii) The Bombay Motor Vehicles Tax Act, 1958.
- (iii) The Bombay Motor Vehicles (Taxation of Passengers) Act, 1958.
- (iv) The Maharashtra Tax on Goods (carried by Road) Act, 1962.

The Motor Vehicles Act, 1939 is a Central Act providing for the registration, control and regulation of road transport. The provisions are mainly regulatory and the receipts realised under this Act are mainly through fees. The Act is administered by the State Government. Under the Bombay Motor Vehicles Act, 1958 a tax is levied on all motor vehicles used or kept for use in the State. The maximum annual rate of tax that can be levied is fixed under the Act. The tax is based on the unladen weight of the vehicles in the case of Motor Cycles, Tricycles and Motor Vehicles which are not used for carriage of goods and materials or vehicles plying for hire and used for the carriage of passengers. Goods vehicles are taxed on the basis of registered laden weight i.e. the total weight of the vehicle and load certified as permissible for that vehicle. Motor vehicles plying for hire and used for carriage of passengers are taxed on the basis of their licensed carrying capacity.

Under the Bombay Motor Vehicles (Taxation of Passengers) Act, 1958 a tax is levied on the fares payable to the operator in the case of stage carriages. The present rate of tax (since 15th December 1969) is 22 per cent of the fare including the amount of tax.

Under the Maharashtra Tax on Goods (carried by Road) Act, 1962 a tax of not less than 2 per cent and not exceeding 5 per cent can be levied on all goods carried by road in public goods vehicles, and a tax of not less than three tenths of a paisa and not exceeding six tenths of a paisa per metric tonne per kilometre can be levied on private vehicles. The present rate of tax is $4\frac{1}{2}$ per cent of the freight charged (from 1st October 1972) in the case of public goods vehicles and six tenths of a paisa per tonne per kilometre (from 1st October 1972) in the case of private goods vehicles. The operators can however opt to pay a lumpsum tax in lieu of the above taxes.

44. Short-levy of penalty due to failure to raise demand against defaulters

Under the Bombay Motor Vehicles Tax Act, 1958, tax is payable in advance by every registered owner, or any person having possession or control of a motor vehicle. Non-compliance is punishable with fine upto an amount equal to a sum of annual tax payable in the case of a first offence and upto an amount equal to twice the annual tax in the case of repeated offences. The offence can, however, be compounded for a sum calculated at 4 per cent of the amount of tax for each month of default if the offence is reported voluntarily by the defaulters, and for a sum calculated at 8 per cent of the amount of tax for each month of default if the offence is not reported voluntarily, subject to a maximum of the amount of tax in default in the first case and twice the amount of tax in default in the latter case. In the case of defaults, if no demand is issued by the department any payment made would be voluntary and would attract only composition fee of 4 per cent.

During test audit it was noticed that in many instances of default no demands were raised by the department against the vehicle owners with the result that penalty had to be levied in all such cases of delayed payments only at 4 per cent instead of at 8 per cent which could have been levied if the demands had been raised. On a review of only two subsidiary cash books relating to one office, it was seen that out of a total penalty of Rs. 1,05,000 levied at 4 per cent, penalty of Rs. 45,065 was in respect of cases of default of over two months wherein penalty could have been levied at 8 per cent if the demands had been raised. In another office the short-levy of penalty for similar reasons amounted to Rs. 10,617. The cases were reported to Government in October 1974; reply is awaited (April 1975).

45. Short-levy of passenger tax

Under the Bombay Motor Vehicles (Taxation of Passengers) Act, 1958 passenger tax is payable by operators every month as per returns. The Tax Officer has to satisfy himself about the correctness of the returns as well as the tax paid as per detailed procedure prescribed by the department.

It was noticed during test audit that in respect of the returns filed by the operators in one regional office for the year 1973-74, there was short payment of tax totalling Rs. 13,705 in 108 cases. The short-payment was due to mistakes in calculation, non-payment of penalty, and short levy of tax in respect of vehicles plying both within and outside municipal limits. On this being pointed out in audit, the department has stated (October 1974) that necessary action for recovery would be taken. Details of recovery are awaited (January 1975).

46. Short-levy of goods tax

Under the provisions of the Motor Vehicles Act, 1939 different States may enter into reciprocal agreements with a view to regulating and controlling the inter-State transport service of goods vehicles. Under an agreement entered into between the Government of Maharashtra on the one hand and Governments of some other States, effective from 1st January 1973, each State was authorised to issue composite permits for 200 vehicles which could be run on all National and State highways within the States chosen for operation. The agreement also provided that the holder of the composite permit would be required to pay motor vehicles tax and goods tax as obtaining in the home State and in addition a sum of Rs. 700 per annum to each other State chosen for operation by way of tax. The agreement further provided that such tax to the States other than the home State shall be payable on prorata basis for the remaining quarters where initial authorisation was granted at any time after the first quarter of the financial year i.e. at the rate of Rs. 175 per quarter or part thereof.

In the course of local audit it was, however, noticed from receipts realised that the transport authority of Maharashtra had realised the tax from the composite permit holders for the year 1973-74 in respect of vehicles of other States plying in the State of Maharashtra under the reciprocal agreement for one complete year from the date of issue of permit instead of on prorata basis for the remaining quarters of the financial year including the quarter in which the permit was issued. Adoption of this incorrect method of calculating tax in respect of 161 such vehicles of other States resulted in short-levy of tax of Rs. 29,516.

When this was pointed out in audit (April 1974) the department stated (May 1974) that the concerned authorities in the respective States were being approached for recovering the short-levy. The particulars of recovery are awaited (January 1975).

OTHER TOPICS OF INTEREST

47. Loss due to non-revision of the rate for calculation of fares for levy of passenger tax

Under the Bombay Motor Vehicles (Taxation of Passengers) Act, 1958 passenger tax leviable in respect of contract carriages is calculated as a percentage of the hire or reward paid to the operator on the basis of a contract for the use of the vehicle. The department issued instructions in 1968 fixing a minimum rate of Rs. 2 per mile for calculating the fare for levy of passenger tax on contract carriages.

The Maharashtra State Road Transport Corporation had also fixed a rate of Rs. 2 per mile in 1969 for giving their vehicles on contract for hire. In consideration of increase in running expenses it raised the rates (March 1972) from Rs. 2 per mile to Rs. 3.04 in respect of buses of 31-35 capacity and to Rs. 3.32 in respect of buses having 41-45 capacity, but no such revision for the purpose of levy of passenger tax had been carried out by the department so far (April 1975).

A test check by audit in one office covering transactions for a period of ten months revealed a loss of tax amounting to Rs. 79,300 on a comparison with the fares prescribed by the Maharashtra State Road Transport Corporation. The case was referred to Government (October 1974); reply is awaited (April 1975).

47·2. An operator of contract carriages had made 241 trips between Bombay and Mangalore (a distance of 1,040 Kms.) during the period 1st November 1972 and 30th November 1972 and 1st March 1973 and 30th April 1974 showing in the return filed by him an amount of Rs. 650 as the fare collected for each trip. Passenger tax was recovered from him on prorata basis on a distance of 440 Kms. run within the Maharashtra State. On the basis of the fare declared by the operator the proportionate fare for the distance of 440 Kms. traversed in the State comes to Rs. 275 which is 63 paise per km. or Re. one per mile whereas according to the instructions of the department the minimum fare to be taken into account for levy of tax is Rs. 2 per mile. The short levy of tax together with penalty on the 241 trips on the basis of the minimum of Rs. 2 per mile amounted to Rs. 16,402. The matter was referred to Government in April 1974; reply is awaited (April 1975).

CHAPTER VI
OTHER TAXES AND NON-TAX REVENUE RECEIPTS

OTHER TAXES

HOME DEPARTMENT

Section A—State Excise Duties

48. Results of audit

Test audit of records of assessments relating to State Excise receipts conducted between December 1973 and September 1974 revealed underassessments of Rs. 0.91 lakhs in 69 cases and over-assessment of Rs. 0.09 lakh in 5 cases. The underassessments may be broadly categorised into the following heads:

	Rs.
(i) non-collection of differential duties	36,065
(ii) short recovery of supervision charges on excise staff posted in licensee's premises.	9,403
(iii) Mistakes in collection of licence fees	4,847
(iv) others	40,732
Total ..	91,047

Some instances of the cases noticed in audit are given in the following paragraphs.

49. Excessive wastage of spirit in transit

Under the Bombay Rectified Spirit (Transport in Bond) Rules, 1951 framed under the Bombay Prohibition Act, 1949 any wastage of rectified spirit during transit upto half per cent per 160 kilometers is considered normal. Any wastage in excess of this limit is to be reported to the Commissioner of Prohibition and Excise for obtaining his orders as regards the amount of duty to be levied on such excess wastage.

It was noticed in one case that a Sub-Inspector of Prohibition and Excise reported loss of 700 bulk litres of spirit out of 12,000 bulk litres of rectified spirit despatched on 11th January 1972 by a licensee in Maharashtra State by

a tanker to a party in Hyderabad, when the tanker was involved in an accident. However, the consignee acknowledged receipt of only 10,700 bulk litres of spirit, thus showing a shortage of 1,300 bulk litres.

When the Superintendent, Prohibition and Excise, issued a show cause notice to the licensee as to why excise duty should not be levied on the loss of 600 bulk litres, the licensee pleaded that there was no loss in any of the previous consignments and the present loss of 600 litres was only 0.12 per cent of the overall quantity of 5 lakh bulk litres supplied by the consignee. The entire loss of 1,300 litres was, however, written-off by the Superintendent of Prohibition and Excise, in November 1973 under the orders of the Commissioner of Prohibition and Excise.

Granting that 700 bulk litres as reported by the Excise Officer was lost owing to the accident, the transit loss permissible for the balance of 11,300 bulk litres over a distance of 700 kilometres at half per cent for each 160 kilometres would be 247.18 bulk litres while actually the loss was 600 bulk litres. The loss of duty on the excess wastage of 352.82 bulk litres for the distance from Vaizapur to Hyderabad amounted to Rs. 14,942. The matter was brought to the notice of Government in February 1974; Final reply is awaited (April 1975).

50. Short recovery of excise duty

Under the Medicinal and Toilet Preparations (Excise Duties) Rules, 1956, no dutiable goods can be removed from any place where these are manufactured until the excise duty leviable thereon has been paid at such place. Where, however, the manufacturers have no arrangements for bottling and packing of the manufactured goods at the place of manufacture, they can remove the goods in bulk on payment of duty on the total number of units of packages worked out provisionally. If, however, the actual number of units of packages exceeds the number worked out provisionally, the duty on the excess units is also leviable.

In the case of a manufacturer, it was noticed in audit that no duty was collected on the excess units in respect of 14 clearances during 1972-73, resulting in short recovery of excise duty to the extent of Rs. 7,552. On this being pointed out (January 1974) the department raised the additional demand (January 1974).

FINANCE DEPARTMENT

Section B—Agricultural Income-tax

51. Non-levy of penalty

Under the Maharashtra Agricultural Income-Tax Act, 1962 assesseees are required to pay the tax due within the period specified in the notice of demand. If the assesseees fail to pay the tax within the specified period, the assessing authority may levy penalty not exceeding half the amount of the tax remaining unpaid.

It was noticed in one case that an assessee failed to pay tax due amounting to Rs. 39,083 for the assessment years 1968-69 and 1969-70 till March 1974 though the same was payable on or before 25th June 1971 as specified in the notice of demand. Though the assessee defaulted in payment of tax for about three years,

the assessing authority did not consider the question of levy of penalty in this case. When this was pointed out in audit (December 1973) the department recovered the dues (March 1974) and raised an additional demand of Rs. 19,541 towards penalty. The particulars of recovery of additional demand are awaited (April 1975).

52. Underassessment of Agricultural Income-Tax due to allowance of inadmissible expenditure

Under the Maharashtra Agricultural Income-Tax Act, 1962 tax on "Income from Agriculture" is computed after making allowances prescribed under Section 8 of the Act. Under clause 9 of Section 8 any expenditure (not being in the nature of capital expenditure or personal expenditure) laid out wholly and exclusively for the purpose of deriving agricultural income, is allowed as deduction from the agricultural income. In the case of five assessee's expenses not covered under the above clause were allowed as deduction from agricultural income. On this being pointed out in audit (February 1974), the assessee's were reassessed and additional demand of Rs. 8,425 was raised (September 1974). Recovery particulars are awaited (April 1975).

REVENUE AND FOREST DEPARTMENT

Section C—Registration and Stamps

53. Introductory

Stamp duties fall under two categories—judicial and non-judicial. Judicial stamp duties represent fees payable by persons for conduct of business in law courts and other public offices. The levy of judicial stamp duty is governed by the Court Fees Act, 1870.

Non-judicial stamp duties are levied on instruments executed for giving legal validity for the transactions dealt with in them.

The basis for the levy of stamp duties is the Indian Stamp Act, 1899 in so far as the instruments specified in Entry No. 91 of List I in the Seventh Schedule to the Constitution of India are concerned and Bombay Stamp Act, 1958 for other instruments.

Under the Indian Registration Act, 1908 certain types of documents are required to be registered compulsorily. The Act confers powers on the State Government to prescribe the rates of fees payable for registration of documents for searching registers, for making or granting copies of documents etc. The fees prescribed are collected on presentation of the documents for registration or on application for search, certified copies etc. at the registry offices.

54. Remission of stamp duty and registration fee

By virtue of a notification dated 30th October 1972 issued under section 42 of the Maharashtra Co-operative Societies Act, 1961, Government withdrew with effect from 27th October 1972 the remission of stamp duty and registration fee payable on conveyances relating to purchase of land only executed by or on behalf of co-operative housing societies.

A test check of certain Sub-Registry offices for the year 1972 showed that remission of stamp duty was granted in respect of five such conveyances registered after the issue of above notification, in four out of these five cases, registration fee was also not charged. This resulted in an irregular remission of Rs. 13,484 (Stamp duty Rs. 12,579; registration fee Rs. 905).

The Inspector General of Registration has accepted the audit point (August 1974) and directed the Sub-Registrars to recover the registration fee in respect of the documents pointed out in audit.

The issue of non-recovery of stamp duty was referred to Government in March 1974; reply is awaited (April 1975).

Section D—Betting Tax

55. Short-levy of Betting Tax

The Bombay Betting Tax Act, 1925 provides for levy of tax on all monies paid or agreed to be paid to a licensed bookmaker by a backer, at such rate as the Government may notify. Under these provisions Government notified that 11/111 shall be the rate of tax for bets made in the Mahalaxmi Race Course in respect of any race held at Bangalore Race Course during the 1973 season. Under the provisions of the licence issued to the bookmakers to operate the pools, Government had allowed them to collect from the backers fifteen per cent commission (inclusive of betting tax) on the amount of bet. There is no provision in the Bombay Betting Tax Act, 1925 empowering the Government to authorise the bookmakers to collect such a commission which is in the nature of a compulsory levy and partakes of the character of a tax.

Further, in the audit of betting tax receipts conducted in July 1974 it was seen that although the bookmaker was receiving from the backer bet money plus tax plus commission, tax was actually levied only on the amount of bet money and tax, but not on the amount of commission received. As under the Act, tax is leviable on all the monies received or receivable by the licensee, tax should have been levied also on the commission received by the licensees. The additional tax recoverable is Rs. 1.14 lakhs. The matter was reported to Government in August 1974; reply from Government is awaited (April 1975).

NON-TAX REVENUES

REVENUE AND FORESTS DEPARTMENT

State Monopoly Trading in Tendu leaves

56. Introductory

Tendu leaves constitute a valuable minor forest produce since they are needed as wrappers for making bidies. These leaves are collected annually from Tendu trees grown on Government and private lands, in about six to eight weeks' time, between middle of April and first week of June each year. Upto the year 1969, Tendu leaves in Government forests of Maharashtra were disposed of by auction of areas having Tendu trees, while the leaves from private lands were purchased by contractors on the basis of a long term lease.

Pilferage of the produce from Government forests was noticed but an effective check on the pilferage was stated to be not possible owing to the nature of the produce and the short period available for collection. In order to stop the malpractice, State monopoly in the trade of Tendu leaves was introduced in Maharashtra from 22nd October 1969 (i.e. from 1970 season).

Working of the Monopoly Trade

Appointment of purchasers.—The State has 648 Tendu leaf units. The leaves collected at the various units are sold at the rates sanctioned after calling for sealed tenders in advance, per standard bag (containing 1000 pudas of 70 leaves each). In the tenders received different rates are offered for leaves of different units depending upon the quality and size of the leaves, cost of collection and transport to the nearest market etc. The purchaser is required to take delivery of the leaves within 48 hours of collection. The purchaser, in the first instance, pays a part of the purchase price (equal to collection charges) to the Range Forest Officer, who in turn passes it on to the collection agents as works advances and the balance of the purchase price is paid into the Treasury.

Appointment of Collection Agents.—After appointment of purchasers for various units collection agents are appointed by issuing public notices in the Gazettes for (i) collection of Tendu leaves from various units of Government lands and (ii) purchase of Tendu leaves from private growers in non-Government lands at the rates sanctioned by Government for each year, as recommended by the Advisory Committee appointed by Government for the purpose. The collection agent is paid commission and handling charges at the rate of Rs. 2 per standard bag.

A review of the working of the Monopoly Scheme from 1970 to 1974 indicated the following:

(i) Number of bags collected and net revenue realised during the three years prior to the taking over of the trade by the State, and during the five years thereafter, were as under:

Year	No. of units auctioned	Approximate bags collected	Net revenue realised (Rupees in lakhs)
1967	591	3,68,770	77.31
1968	591	Not available	80.38
1969	591	5,94,565	85.98

After introduction of State monopoly:

Year	No. of units sold	No. of bags notified for collection	Actual No. of bags collected	Net revenue realised (Rupees in lakhs)
1970 ..	592	8,51,170	3,20,751	95.90
1971 ..	643	7,27,200	6,24,626	216.49
1972 ..	648	6,82,000	6,10,784	332.56
1973 ..	631	6,50,500	4,08,830	174.32
1974 ..	641	6,37,040	5,45,696	287.87

While proposing State monopoly, Government had estimated a yield of 9 lakh bags out of which one fourth was estimated from private forests. The lower collection in 1970 was stated to be due to its being the first year of monopoly trade while the shortfall in collection in 1973 was attributed to acute scarcity conditions. Thus, there has been no appreciable increase so far in collection of leaves on the State taking over the trade though such an increase had been anticipated. However, there was an increase in revenue owing to increase in the price of the produce.

(ii) Though the Government had estimated that one fourth of the estimated 9 lakh bags of leaves was grown in private forests, the number of private growers registered with the Government and the number of bags purchased from private growers were as indicated below:

Year	No. of registered growers	No. of standard bags purchased from private growers
1970	547	1,365
1971	55	4,223
1972	80	3,245
1973	161	3,113
1974	1	3,539

No definite reasons could be given by the department for the negligible percentage of leaves offered for sale by private growers. The department stated (November 1974), that private growers did not care to pluck the leaves. and in all probability, the leaves from private lands are plucked by the labourers and delivered as brought from Government lands.

(iii) The purchaser is bound to purchase all the leaves estimated to be collected in the unit as notified in the agreement, and also all such additional quantity which are collected and offered to him at a reduced price calculated as under :—

- (1) For excess collections offered upto 25 per cent over the notified number of bags. Purchase price reduced by an amount equal to 25 per cent of royalty*.
- (2) For excess over 25 per cent of the notified number of bags. Purchase price reduced by an amount equal to 50 per cent of royalty*.

For collection below the notified number of bags, the collection agent is liable to pay damages as may be fixed by the Divisional Forest Officer at his sole discretion, but not exceeding Rs. 15 and Rs. 20 per standard bag less collected, during 1970 and 1971 to 1974 seasons respectively. The department stated that the notified number of bags shown in the tender notice was fixed on the basis of past experience, conditions of nature, availability of labour etc., which according to the department was a scientific method of estimation.

* Royalty is the purchase price minus collection charges, commission and handling charges.

It will, however, be seen from the table given below that the estimate on the basis of which the number of bags is notified for collection differed widely from the number of bags actually collected. Consequent to this inaccurate estimation Government sustained losses as indicated in the tables below:

TABLE A
Collection less than the notified number

Year	Total No. of units sold	No. of units in which collection was less	Notified No. of bags	No. of bags collected	Less collection	Maxium penalty leviable	Penalty levied
				(In lakh bags)		(Rupees in lakhs)	
1970	592	570	8.29	2.89	5.40	81.00	.....
1971	643	430	4.92	3.11	1.81	36.20	.....
1972	648	447	4.58	3.19	1.39	27.80	0.13
1973	631	560	5.83	3.30	2.53	50.60	0.06
1974	641	477	4.73	3.55	1.18	23.60	0.08

Though the collection agents were liable to pay damages as fixed by the Divisional Forest Officer at his sole discretion, no penalty was levied as per certain policy decisions taken in 1970 and 1971. Even though no such policy decision was taken during 1972 to 1974, the penalty levied in those years was negligible.

TABLE B
Collection in excess of the notified number

Year	Total No. of Units sold	No. of units in which collection was in excess	Notified No. of bags	No. of bags actually collected	Excess No. of bags collected
1970	592	22	22,075	31,314	9,239
1971	643	213	2,35,500	3,13,770	78,270
1972	648	201	2,23,700	2,91,353	67,653
1973	631	71	67,300	78,715	11,415
1974	641	164	1,63,770	1,90,449	26,679

As the price payable for the bags collected beyond the notified number of bags is reduced by 25 per cent of royalty for the first 25 per cent excess and by 50 per cent of royalty thereafter, there was a loss of revenue as per details below due to incorrect estimations:

	Rs.
1970	83,288
1971	13,51,184
1972	16,98,222
1973	1,60,123
1974	4,48,043

The department stated that the concessions in price had been given as an incentive for enhanced production and similar concession was given in almost all the States which had taken up the regulation of the trade in the same manner. Concession in price, the department stated, was also given because the leaves of the latter part of the season were of a slightly inferior quality.

57. Other interesting points

(1) The contract for the purchase of Tendu leaves in 1970 season was finalised by inviting open tenders. However, for the 1971 season, Government decided to renew the contracts in respect of purchasers appointed for the various units during 1970 season on the following terms :—

(i) Purchase price would be increased *ad hoc* by 7 per cent, in addition to the payment of increased collection charges ;

(ii) The purchaser would have to renew contracts of all the units purchased by him in 1970 season on the same terms and conditions, without any right of reassignment or transfer.

Out of the 591 units of 1970 season, contracts for 563 units were renewed on the aforesaid terms, while for 28 units they were not renewed. The procedure above was stated to have been adopted so as to help the purchasers of 1970 season who had incurred heavy losses due to untimely rains (in May 1970) and early closure of collection due to early rains. It was further stated that Government wanted to assist the contractors of 1970 season as that was the first year of the trade, and as it was not possible to assess the exact loss in each of the 6,000 collecting centres, it was decided to renew their contracts as per the terms mentioned above. However, in respect of the 28 units for which contracts were not renewed by the purchasers of 1970 season, and hence sold by open tender, it was noticed that they fetched much higher prices (one per cent to 37 per cent more) than those leased as per the formula fixed for renewal. Further, the average price obtained in 1972 season by open tender was Rs. 86·41 per standard bag, as against the average price of Rs. 64·91 obtained in 1971 season (i. e. 34 per cent above).

While renewing the contracts for 1971 season, the notified number of bags were, however, reduced as compared to 1970 season, on the ground that the figures for 1970 were approximate and were on the higher side. In respect of 213 units, as against the notified number of 2,35,500 bags for 1971 season, the actual collection was 3,13,770 bags, which had resulted in a loss of revenue of Rs. 13,51,184 as indicated above. For all the units put together, total collection in 1971 season was 6,24,626 bags as against 3,20,751 bags collected in 1970 season, indicating that 1971 season was good. Thus the decision to reduce the notified number of bags in 1971 season in respect of all units, especially when the contracts were renewed, actually deprived the Government of substantial revenue the quantum of which, however, could not be ascertained.

(2) In Chanda district, 19 godowns were constructed during 1972 and 3 more in 1973 in the interior forest areas at a cost of Rs. 3·72 lakhs, to be let out to the purchasers for storing their Tendu leaves. Out of these 22 godowns, 10 godowns (constructed in 1972) were not occupied by the purchasers even for a single day from the date of construction while the remaining godowns were occupied only for a part of the season. The loss of rent due to non-occupation during 1972 to 1974 season was Rs. 0·40 lakh. One godown taken up for construction in 1972 was left incomplete, after incurring an expenditure of Rs. 0·21 lakh.

MINOR MINERALS

58. Unauthorised quarrying of minor minerals

The conditions for the grant of lease to extract minor minerals from lands owned by Government or by private persons are governed by the Bombay Mineral Extractions Rules, 1955 made under Section 15 of the Mines and Minerals (Regulation and Development) Act, 1948. Lease to extract minor minerals such as stones, boulders etc. from Government lands or private lands where the property in the minerals vests in the Government is granted on payment of application fee of Rs. 25 and security deposit equal to fifty percent of the annual dead rent fixed for the lease. In addition, the lessees are required to pay yearly dead rent at the rates prescribed in Schedule II of the Bombay Mineral Extraction Rules, 1955 and surface rent at a rate not exceeding the land revenue and cesses assessable on land. The existing maximum rate of dead rent is Rs. 5 per acre or portion thereof in the case of building stores and Rs. 2 in the case of all other minor minerals other than specified minor minerals. Royalty is payable on the quantity of minor minerals despatched from the lease areas for each type of mineral, at the rates prescribed in Schedule I to the Rules.

As a result of an article published in a local daily (April 1972), regarding the existence of several unauthorised quarries in the Bombay Suburban District a special survey was conducted by the department (July 1972) which revealed that out of 112 quarries working in the Bombay Suburban District 42 were unauthorised. Of this, ten quarries were detected during routine inspection and thirtytwo as a result of special investigation conducted by the department. Out of the 42 unauthorised cases, 25 quarries are situated in lands the sub-soil rights of which vest in Government and 17 on ex-khoti lands or otherwise known as inam lands i.e. lands held by landowners on special tenures. The question whether Government have any right on the subsoil materials is still under the examination of Government (September 1974). The provisional dues on account of royalty etc. to Government from the unauthorised quarries have been estimated by the department at Rs. 19.61 lakhs on the basis of measurement taken by Government surveyors. The final demands will be known after the Executive Engineer of the Buildings and Communications Department has assessed the exact quantity of materials extracted. His report is still awaited by Government (April 1975).

Government stated (September 1974) that in seven cases involving dues of Rs. 3.92 lakhs stay orders had been issued by Government (four cases) and by the Courts (three cases) and that show cause notices had been issued in the remaining cases. Of the 4 cases pending with Government, Government had proposed to compromise one case for an amount of Rs. 4,816 as against the demand of Rs. 12,040. Of the three cases pending in the courts one case had been settled by Government by accepting an amount of Rs. 35,000 as against the demand of Rs. 42,000. The remaining 5 cases are pending (April 1975).

Under the provisions of the Maharashtra Land Revenue Code penalty not exceeding three times the market value of the minerals extracted is leviable in the case of unauthorised quarrying both in the case of private lands and

Government lands. Government stated (September 1974) that as the enquiry in the 35 cases was in progress (since January 1973) penal action was yet to be taken by the Additional Collector, Bombay Suburban District.

Government have stated that the exact reasons for not detecting in time the unauthorised quarrying cannot be stated (January 1974). Government have, however, stated that this may be due to slackness of the field staff such as Circle Inspectors and Talatis. The entire work relating to quarries is looked after by one officer of the rank of Tahsildar assisted by two bill collectors. The department approached Government in December 1969 for creating three posts of Circle Inspectors, one post of Circle Officer and twelve posts of watchmen on *ad-hoc* basis. The posts were not sanctioned. Government is stated to have asked (January 1973) the department to send fresh proposals for staff and vehicle and accordingly the proposals were sent in March 1973. Report of further development is awaited (April 1975).

URBAN DEVELOPMENT, PUBLIC HEALTH AND HOUSING
DEPARTMENT

59. Uncollected rent from tenants in Bombay Development Department Chawls

In accordance with a scheme formulated in 1919 for providing improved residential accommodation to the working classes in Bombay City, the Bombay Development Department constructed, between 1925 and 1928, 207 chawls consisting of 16,243 tenements and 302 shops at four places in central Bombay. Though the chawls were constructed initially for housing industrial workers, Government decided to allot the tenements even on concessional rent to other persons also who were willing to occupy them as there was no sufficient demand from industrial workers. About seventy five per cent of the tenements were allotted to private persons and public bodies on monthly rent ranging between Rs. 5 and Rs. 14.50 per tenement against the economic rent of Rs. 15 and the rest were allotted to Class IV Government employees free of rent subject to recovery of service charges.

In July 1969 Government increased the rent of all residential tenements to Rs. 15 per month per tenement. The rents of shops were also raised from Rs. 23 and Rs. 35 to Rs. 40 and Rs. 50. The recovery of rent has, however, been in arrears for several years. The amount of arrears outstanding on 31st March 1973 was Rs. 4.77 lakhs, inclusive of Rs. 1.25 lakhs recoverable from Government servants as service charges. The yearwise break-up of the arrears is given below :—

Year	Amount (In lakhs of rupees)
Upto 1968-69	1.02
1969-70	0.20
1970-71	0.26
1971-72	0.43
1972-73	2.86

The Director, Development Department Chawls, stated (February 1974) that in cases of arrears of rent for two months or more demand notices and prohibitory orders for attaching the salary of the defaulters are issued and thereafter the cases are referred to the competent authority for action under Government Premises Eviction Act. The details regarding cases in which action in the above lines is taken are not known. Out of the total arrears, a sum of Rs. 17,328 is reported (February 1974) to be irrecoverable, but the amount has not been written off so far.

During 1972-73 the expenditure on maintenance and management of the chawls amounted to Rs. 41.71 lakhs (approximately) against the assessable rent of Rs. 38.86 lakhs for that year.

The common bath rooms provided in the chawls have remained unutilised for want of adequate supply of water. A proposal for their conversion into residential rooms is reported to be under the consideration of Government since February 1970.

CHAPTER VII

A REVIEW ON THE WORKING OF THE BOMBAY ENTERTAINMENTS DUTY ACT, 1923 IN MAHARASHTRA STATE

60. Introductory

The Bombay Entertainments Duty Act, 1923 which came into force in 1923 in the then Bombay Province was enacted with the object of imposing duty on all payments for admission to any place of entertainment. The Act was amended in 1958 to extend its jurisdiction to all areas of the new State of Bombay formed as a result of States Reorganisation. On the formation of the present State of Maharashtra in 1960 the Act was further amended to extend its jurisdiction to the new State.

The duty is leviable on any entertainment which is defined to include any exhibition, performance, amusement, game or sports to which persons are admitted on payment. The rate of duty is fixed as a percentage of the rate of admission on a slab system, the duty rising with the rate of admission.

61. Trend of revenue

The estimate of collections of entertainment duty and the actual receipts for the three years 1971-72, 1972-73 and 1973-74 are given below :

			1971-72	1972-73	1973-74
			(In lakhs of rupees)		
Estimate	..	..	1540	1635	1933
Actuals	..	..	1459	1755	1894

A major portion of the collections is in respect of cinema shows in theatres. The number of theatres, permanent and semi-permanent functioning in the State, during the three years was as follows :

	1971-72	1972-73	1973-74
	501	570	618

Besides the permanent and semi-permanent theatres, 189 touring talkies are also functioning in the State (August 1974).

62. Organisation

The Collectors in the districts (declared as prescribed officers for the purposes of the Act) have been made responsible for the collection of duty and enforcement of the provisions of the Act. In the Talukas these powers have been delegated to the Taluka Magistrates. Upto December 1972, only big cities viz. Greater Bombay, Poona, Nasik, Kolhapur, Akola, Amravati and Nagpur had Entertainment Duty Inspectors who attended to the recovery of duty and inspected cinemas in their respective places. In other places the clerical staff were entrusted with this work in addition to their normal duties and for this they were paid special pay ranging from Rs. 5 to 12.50 per month. In December 1972 Government appointed 25 Entertainment Duty Inspectors (one in each district) with a view to enforcing the measures to be taken under the Act for checking avoidance and evasion of the duty and also to make effective and timely recovery thereof.

63. Area of operation

According to the provisions of the Bombay Entertainments Duty Act, the Act is operative in the areas comprising Greater Bombay, Poona City and Suburban Municipal Districts, Poona Cantonment, Sholapur Municipal District. The provisions of the Act are extended to areas in towns and villages on recommendations made by the Collectors on the basis of guidelines framed by the Government in 1966.

63.2. In the course of test check it was noticed that in two villages each of Aurangabad and Nanded Districts four permanent theatres had been functioning for periods ranging from 2 to 8 years without the Act having been extended to those areas, and consequently they were not paying any entertainment duty. The loss of revenue on this account could not be ascertained and furnished by the department.

Besides, 74 touring cinemas were functioning in 13 districts for long periods without the Act having been extended to the areas in which the cinemas were located. Information about the number of such touring cinemas in the remaining 12 districts is also not readily available with the Government (September 1974). In three cases it was noticed that the theatres situated in the exempted areas were in very close proximity to areas which had not been exempted. Though the clientele for these theatres were mainly from the areas where the Act was in operation, no duty was payable on the collections made by the theatres.

63.3. There was considerable time lag in the issue of notification by the Government extending the operation of the Act after the receipt of proposals from Collectors as can be seen from the following instances. The extent of duty lost on account of the delay in issuing the notification is not known.

District	Date of receipt of proposal from Collector	Number of villages affected	Date of issue of Notification
Akola	.. 3rd August 1972 ..	35	9th August 1974
Wardha	.. 24th December 1969 ..	1	Do.
Poona	.. 31st July 1970 ..	24	Do.
Ahmednagar	.. 16th May 1970 ..	10	Do.
Nasik	.. 29th December 1973 ..	3	Do.

63.4. On the commencement of the Bombay Entertainments Duty (Extension and Amendment) Act, 1958 the Act came into force in those areas in which the Entertainment Tax Act, 1335 Fasli of the erstwhile Hyderabad State and any other law relating to Entertainment Tax Act was in force immediately before such commencement. Although the Entertainment Tax Act, 1335 Fasli was operative throughout the erstwhile State of Hyderabad, 4 permanent theatres and 27 touring talkies in the five districts of Marathwada which formed part of the erstwhile Hyderabad State were not paying entertainment duty (August 1974). The loss of revenue on this account could not be ascertained.

64. Rate of duty

The rate of duty in respect of payments for admission to a licensed race course is fifty per cent of such payment. In respect of other entertainments such as cinema shows the duty is levied on a three tier slab basis on all payments for admission. Duty is also payable on complimentary tickets at the appropriate rate, as if full payment had been made for admission to the entertainment according to the class of accommodation which the holder is entitled to occupy.

The rate of duty is 32½ per cent of the first one rupee, 47½ per cent of the second one rupee, and 60 per cent of the balance. A higher rate of duty has been prescribed for admissions to entertainments in Greater Bombay and the Cities and cantonments of Poona, Nagpur and Sholapur. The present rate of duty in these cities is 37½ per cent of the first rupee of payment for admission, 55 per cent of the second rupee and 65 per cent of the balance.

Between the years 1958 and 1962 the higher rates were applicable to Kolhapur City also. But in 1962 Kolhapur was excluded from the list of areas where higher rate of duty was leviable and brought under the residual areas. Thus, even though Kolhapur was made into a Municipal Corporation in 1972, the duty for entertainment in that city is lower than that in force in other cities in the State which have Corporations.

In addition to the above levies, an additional entertainment duty at the rate of 5 paise on tickets costing one rupee and less and of 10 paise on tickets exceeding one rupee was levied between 1st December 1971 and 30th April 1974. The receipts from these levies were earmarked for refugee relief upto 31st March 1973 and drought relief between 1st April 1973 and 30th April 1974. With effect from 1st May 1974, the additional duty was replaced by a surcharge at the rate of 5 per cent where the payment for admission did not exceed one rupee and in other cases at 10 per cent. Though the receipts from 1st April 1973 to 30th April 1974 were earmarked for scarcity relief and the receipt since 1st May 1974 was earmarked for nutrition purposes, no special fund had been created nor any rules for the utilisation of these receipts for the purpose for which they were intended had been laid down (April 1975).

Some interesting points noticed during test audit are given below.

64.2. In the case of two theatres situated within the limits of the City of Poona as notified by Government the duty was being recovered at the lower rate applicable to the residual areas of the State on the ground that these theatres did not fall under the revenue jurisdiction of Tahsildar, Poona City.

As the area in which the theatres were situated had been declared by Government as part of Poona City, the rate of duty applicable would be the higher prescribed rate. The short levy of duty in the two cases amounted to Rs. 1.13 lakhs for the period from 1st April 1971 to 31st March 1974. In one case the duty at higher rate was recoverable from 3rd March 1962 as the area was brought within the city limits from that date. In the second case higher duty was recoverable from 27th June 1969, which is the date from which the theatre started functioning. The amount of duty short levied for the period prior to 1st April 1971 is not known. The matter was reported to Government in September 1974; reply is awaited.

64.3. Additional entertainment duty is payable at ten paise per ticket, if payment for admission (exclusive of additional duty) exceeds one rupee. In the case of nine theatres in two districts the additional duty was calculated at five paise per ticket instead of ten paise on the assumption that the term "payment for admission" excludes regular entertainment duty. This resulted in short recovery of duty of Rs. 71,138 for the period December 1971 to April 1974. The matter was reported to Government in July 1974; their reply is awaited (September 1974).

64.4. The Act also provides that the duty should, wherever necessary, be rounded off to the nearest paise, fraction of half paise or over being counted as one, and less than half being disregarded. Owing to wrong rounding off, incorrect levy of duty to the extent of Rs. 11,670 was noticed by audit in nine cases (between April 1974 and September 1974) out of which Rs. 4,760 represented excess recovery and the balance short recovery. Mention was made of similar short levy of Rs. 11,000 in 3 cases in paragraph 34 of the Audit Report on Revenue Receipts for the year 1972-73.

65. Assessment and collection

The duty under the Act is payable through Entertainment Duty Stamps, or at the option of the proprietor, in cash. In both the cases the proprietors should file a return, showing *inter alia* the value and the number of tickets issued. In the case of payment in cash the return should be accompanied by a challan in support of payment of the duty. Majority of the proprietors have opted to pay in cash.

Prior to 1967 there was no provision in the Act for assessment of the duty leviable under the Act. The Act was amended in 1967 providing for assessment of duty on the basis of returns. But so far, no rules have been framed laying down the procedure of assessment.

65.2. During test check of 93 offices conducted by audit during December 1973 to September 1974 it was observed that no systematic watch on the receipt of the returns from each theatre was kept by the prescribed officers. In many cases the returns were not submitted by the proprietors and no action was taken by the prescribed officers to call for them. Where the returns were filed there was no evidence of any scrutiny having been exercised as to the correctness of the returns or of the amount of duty payable by the proprietors on the basis of returns. In some cases the departmental records of the theatres were not

available with the prescribed officer, and for want of these, the records of the theatre owners were produced for test check. A theatrewise record to watch the timely submission of returns and the collection of dues was not being maintained by the prescribed officer.

65.3. During test audit it was noticed in eight cases that even the basic check of the correctness of the duty payable according to the details in the return was not conducted. The amounts paid by the proprietors along with the returns were found to be less than the amounts payable by Rs. 12,057. When this was pointed out in audit (March 1974) a sum of Rs. 1,000 relating to one case was recovered in March 1974. Particulars of recovery in the remaining cases are awaited (September 1974).

65.4. In the case of two touring theatres in Thana District the average daily receipt for the whole period of operation during 1973-74 amounted to only Rs. 27 and Rs. 30. Similarly in the case of one touring talkies in Nasik District the average daily receipt was only Rs. 16 during the period of operation in 1970-71, 1971-72 and 1972-73. *Prima facie* the receipts were too meagre for an economic working of the theatres taking into account the duty payable and other incidental expenditure. But in all these cases the returns and duty paid had been accepted as correct.

65.5. The returns filed by the proprietors are required to be certified by Chartered Accountants. For the facility of proprietors in rural areas Government have permitted them to file the regular returns without the certificate of a Chartered Accountant, subject to the condition that they file a consolidated return duly certified by a Chartered Accountant at the end of every month. It was seen during test audit that in a majority of the cases the consolidated monthly returns were not filed at all or were not certified by the Chartered Accountants.

65.6. In respect of Sales Tax, a system of issuing notice to defaulters exist but no such system is in existence in the administration of the Entertainments Duty Act. Whatever defaults of non-payment etc. have come to the notice of Government it had come only through the inspections conducted by the Vigilance Unit working in the Sachivalaya.

66. Evasion and avoidance of duty

For the guidance of the enforcing authorities Government have listed out the various possible ways in which the proprietors of the theatres might try to evade duty.

While attempts at evasion by resorting to some of the methods so listed out could be checked by the prescribed officer by close scrutiny of the returns with the counterfoils of tickets and challans, evasions of the other types could be detected only by spot inspection by the Entertainment Duty Inspector. As one Inspector has jurisdiction over one District containing on an average 25 to 30 theatres such spot inspections could generally be done only once a month. The number of evasions detected by the Entertainment Duty Inspector in the districts is not known.

According to information available with Government, evasions amounting to Rs. 24.79 lakhs were detected by the Vigilance Squad from 10 districts out of which Rs. 8.93 lakhs had been recovered upto July 1973. But these evasions were mostly in the nature of arrears arising out of non-submission of regular returns.

Mention was made in para 35 of the Report on Revenue Receipts of the Government of Maharashtra for 1972-73 about some theatre owners in Bombay City reserving a special class of accommodation for the exclusive use of the proprietors. As Government have no control over the admission fee, tax was being paid on these special class seats at the lowest rate of admission notwithstanding the fact that these seats were of the highest class. The duty avoided by two theatres in one year was Rs. 20,444.

67. Maintenance of records

Government have issued detailed instructions for the maintenance by each Prescribed Officer of various registers (18) in order to have effective control over the assessment, collection of duty and enforcement of all the provisions of the Act/Rules.

67.2. A test check conducted between December 1973 and September 1974 revealed that in 15 out of 93 offices either all or most of the registers were not maintained at all. In other offices the registers were not maintained properly and did not serve the purpose for which they were intended.

The returns filed and the challans for payments into Treasury were not available in a few offices as a result of which either audit was done with reference to the theatre records produced for inspection, or audit had to be postponed pending production of the documents.

68. Arrears of revenue

Under the Bombay Entertainments Duty Rules, 1958 all payments due under the Act are to be paid to the prescribed officer within ten days of the date of entertainment. However, arrears in payment of duty by theatres have been noticed. The arrears of duty as at the end of March 1974 were stated to be Rs. 17.32 lakhs, in respect of 14 Districts. Information in respect of remaining Districts is awaited (January 1975).

A few cases of arrears that came to notice during test audit are discussed below :

68.2. Three theatres in Nagpur, all under the same management were stated to be in heavy arrears of entertainment duty to the extent of Rs. 11.10 lakhs for 1970-71 and Rs. 10.02 lakhs for 1971-72. As proper books of accounts had not been maintained till June 1971 in the Collectorate at Nagpur and details of payments made by the theatres were not kept, the correctness of the outstanding amount for 1970-71 could not be verified by the department. The Government stated that they had asked the proprietor to produce his records and the reconciliation was stated to be in progress (August 1974).

As regards arrears for 1971-72 the Government first granted permission in June 1973 to the proprietor to pay the arrears by monthly instalments of Rs. 30,000. These orders were subsequently modified in October 1973 and the proprietor was allowed to pay the arrears in monthly instalments of Rs. 15,000 and an amount equal to half the arrears (Rs. 5 lakhs) in lump sum before 31st March 1974. Government also ordered that penal interest of 25 per cent should be recovered from the proprietor. However, no payment of either the principal or interest has been made by the proprietor so far (August 1974). Action to recover the arrears of duty as arrears of land revenue has been initiated (April 1974).

There is no provision in the Entertainments Duty Act or Rules for permitting the proprietor to pay the duty in instalments. The Act does not also provide for recovery of interest though under Section 9-A the offence may be compounded for a sum of money not exceeding double the amount of duty. Government stated that the proprietor was allowed the facility to pay the arrears in instalments together with penal interest at 25 per cent as a special case in relaxation of the provision of Section 9-A of the Entertainments Duty Act.

According to the Entertainment Duty Rules, if the returns are not filed in time or if the duty is not paid in time, the security can be forfeited by the prescribed officer. In this case the security of Rs. 32,500 held by the department was not forfeited (upto April 1974) though the proprietor defaulted in payment of Government dues.

Under the Maharashtra Cinema (Regulations) Rules, 1966 (as amended on 11th February 1973) ticket selling licence cannot be granted/renewed unless the person applying for renewal of the same proves to the satisfaction of the licensing authority that he has paid entertainment duty payable under the Entertainments Duty Act. However, the ticket selling licence of the proprietor had not been suspended so far (August 1974).

68.3. A proprietor of a theatre in Poona was in arrears to the extent of Rs. 6 lakhs in July 1972 for the years 1970-71 and 1971-72. Payments made by the proprietor by cheques on State Bank of India to the extent of Rs. 95,000 were dishonoured. He was allowed by the Collector in June 1973 to liquidate the arrears in 24 monthly instalments with penal interest of 15 per cent. On an appeal made to Government he was permitted (January 1974) to clear the arrears by lump payment of Rs. 2 lakhs before 31st March 1974 and the balance in instalments of Rs. 15,000 per month from April 1974 with 15 per cent penal interest. The recovery is stated to be in progress (April 1975).

68.4. One theatre in Nanded District was in arrears of duty amounting to Rs. 15,504 for the period from 25th February 1974 to 31st March 1974. It had not been filing returns or paying duty for the period after 1st April 1974 and as such the extent of arrears for the subsequent period is not known. The security deposit paid by the proprietor had not been forfeited (April 1975).

69. Security

According to the Bombay Entertainments Duty Rules, 1958 where a proprietor is permitted to avail of the provision for payment of duty in cash, he has to furnish security to Government as required by the Prescribed Officer. The security can be forfeited in case of failure to furnish returns as prescribed and for failure to pay duty in time. In the case of payment through stamps, as stamps are purchased in advance of the entertainment there is pre-payment of duty and hence no security is prescribed.

69.2. A test check conducted between March 1974 and September 1974 showed that in the case of 87 theatres adequate security had not been taken from the proprietors of the theatres. The shortfall on this account was Rs. 2·13 lakhs (September 1974).

70. Delay in payment of duty

Where a proprietor is permitted by the department to pay entertainment duty in cash, the duty has to be paid within 10 days of the date of entertainment. Failure to pay the duty due under the Act may be compounded for a sum not exceeding Rs. 500 or double the amount of duty payable whichever is more. Any other offence can be compounded for a sum of money not exceeding five hundred rupees. There is no provision for levy of penalty and /or penal interest in the Act for delay in the payment of duty. Government have issued instructions (July 1974) to the Prescribed Officers to deal with delay in payment of duty under the compounding provisions relating to failure to pay duty.

70.2 In the test check conducted between December 1973 and September 1974, delays in payment exceeding one month involving Rs. 90,095 were noticed in 29 instances. In none of the cases action was taken by the department either to compound the offence or to forfeit security deposits. In similar circumstances, a dealer who delays payment of sales tax can be penalised by levying penalty at the rate of $1\frac{1}{2}$ per cent per month for the first three months of delay and 2 per cent per month thereafter.

71. Exemptions

The Act contemplates levy of duty on all entertainments to which admission is open on payment. However, Government can by general or special order, exempt any entertainment or class of entertainments from liability to entertainment duty.

71.2. Government have laid down, *inter alia*, the following criteria for cinema films to qualify for exemption :

(i) The cinema film was one which had received President's Gold Medal.

(ii) The film was one which fulfilled an educational, social or cultural purpose as recommended by the Advisory Committee and the proprietor of which has undertaken to pay to the person most responsible for the contribution of such a film an amount equivalent to the entertainment duty foregone

by Government. The proprietor should also submit a weekly return specifying the particulars of such payment. On failure to comply with the rules he should pay full duty.

71.3. According to a scheme adopted by Government for grant of exemptions to films which qualified in the above manner exemptions were to be given to the extent of only Rs. 12 lakhs in terms of entertainment duty lost to Government for the whole State for a year. The further conditions under which these exemptions could be granted were :

(i) The exemption for each cinema was subject to a ceiling of Rs. 1 lakh only (in terms of loss of entertainment duty).

(ii) The rates of admission tickets should be reduced to the extent of duty payable.

(iii) During the period of exemption the reduced price should not be raised.

(iv) Separate accounts should be maintained and submitted by the Producer of the film.

(v) The exemption should not apply to the shows held in aid of funds or institutions which were not eligible to any financial assistance from the State.

(vi) The District Magistrate or the Commissioner of Police should report to Government at the end of each week loss of entertainment duty on account of this exemption.

(vii) The producer of the film should report to the prescribed officer categorywise sale of ticket at the end of each week.

(viii) Failure to comply with any of the conditions involved liability to penalty of imprisonment or fine.

71.4. Under this scheme Government granted exemptions in respect of 11 films in 1970-71, 2 films in 1971-72, 5 films in 1972-73 and 11 films in 1973-74. A test check revealed that in no case the weekly returns had been received regularly from the District Magistrates or Commissioners of Police. Information as to the number of prints of film, the theatres in which the exempted films had been running and the period for which they had been running was not available with Government. The returns required to be sent by the producers were also not received in time and regularly.

71.5. In the following cases, on the basis of information available with the department the ceiling limit of Rs. 1 lakh had been exceeded but until it had been reported in audit no action was taken to withdraw the exemption and

collect the duty in excess of Rs. 1 lakh as required under the conditions granting exemption :

Name of the picture	Date of Government order and exemption	Date of Report regarding loss of duty crossing the mark Rs. 1 lakh and amount of duty lost	Remarks
1. Hindustan Ki Kasam.	6th February 1974.	(4/74) Rs. 1,01,248	On the basis of information for only 3 districts for the period upto 10th April 1974. Information for remaining 23 districts is not available. The exemption was withdrawn only in July 1974.
2. Anurag.	20th October 1973.	17th April 1974 Rs. 1,08,297	As per producer's statement received on 17th April 1974. Departmental figures for the whole State are not available. In addition to the above the loss reported by 3 District Magistrates is Rs. 53,021 though the producer has claimed that the picture was not shown tax-free in these places. The full loss for the whole State has not been worked out and recovered (April 1975).
3. Koshish.	10th January 1973.	27th September 1973 Rs. 1,00,643	On the basis of Producer's Statement. Departmental figures are not available. Excess exemption has not been worked out and recovered. (April 1975).
4. Gharkul	11th March 1971.	23rd April 1971 Rs. 1,21,624	As per producer's statement Departmental figures are not available. Excess has not been recovered so far (April 1975).
5. Zala Mahar Pandarinath.	7th December 1970.	23rd April 1971 Rs. 1,15,431	As per producer's statement. Departmental figures are not available. Excess exemption not recovered so far (April 1975)
6. Dhakti Bahin	18th November 1970	17th May 1971 Rs. 1,31,137	Do.

To the extent information was available with the department, the amount by which the ceiling limit was exceeded in the six instances cited above was Rs. 78,380. But no recovery had been effected (April 1975) as required under the conditions granting exemption. In other cases also the up-to-date figures of exemption enjoyed were not available with Government. It was seen during test check that at least in 3 other cases the exemption enjoyed had exceeded Rs. 95,000 in January 1971, February 1972, and October 1973, but no subsequent information was available.

71.6. Exemptions for individual entertainments

The Act empowers the Commissioner of Police in places where a Commissioner is appointed and the District Magistrate in other places to give exemptions from levy of duty in specified circumstances. Such exemptions could be given if the sanctioning authority was satisfied that :

- (i) the whole takings of the entertainment were devoted to philanthropic or charitable purposes without any charge for expenses ;
- (ii) the entertainment was wholly educational in character ;
- (iii) the entertainment was provided partly for educational or partly for scientific purpose by a society, institution or committee not conducted or established for profit.

The entertainment duty foregone owing to grant of exemptions by the Commissioners of Police or District Magistrates is given below :

Years	Amount in lakhs of rupees
1971-72	6.83
1972-73	5.09
1973-74	6.78

The information above is in respect of 14 Districts only (January 1975).

The Act does not prescribe any financial limit for granting the exemption. However, Government has fixed an overall limit of Rs. 6.50 lakhs for each year upto which revenue might be foregone by way of grant of the exemption.

71.6.2. According to rules framed by Government applications for exemptions from levy of duty should be presented to the sanctioning authority not later than ten days before the date of entertainment. The person in charge of the management of an entertainment exempted from duty i.e. the exemptee is required to furnish a full and true account of the whole takings together with an acknowledgement from the society, institution or fund on whose behalf the entertainment was held within one month after the date of entertainment, if the Commissioner of Police or the District Magistrate so requires. The exemptee would be liable to pay the full duty if the Commissioner/District Magistrate was not satisfied that the whole of the takings without deduction of any expenses had in fact been paid over to the society, institution, or fund.

In 13 cases in two units test checked exemption was granted to the applicants though the applications were not received ten clear days before the date of performance.

71.6.3. According to instructions issued by Government (January 1971) the sanctioning authorities had to devise methods for getting satisfied about the proper utilisation of the receipts for the purpose for which exemption was granted. In the certificate of exemption granted to the applicant, one of the conditions prescribed was that the persons responsible for the management of the entertainment should produce within one month of the entertainment full accounts together with the acknowledgement from the society, institution

or fund on whose behalf the entertainment was held should the competent authority require so. Thus the submission of accounts and utilisation certificates had not been made obligatory and they were to be produced only when so required by the Commissioner or District Magistrate. Out of 31 exemptions granted by the Commissioner of Police, Poona in 1971-72 accounts had not been received and checked even in a single instance (September 1974). Out of the 38 exemptions granted by the same authority in 1972-73 accounts had been received only in six cases. The District Magistrate of Aurangabad granted 16 exemptions in 1972-73, of which accounts had been received only in six cases upto August 1973. Out of 7 exemptions granted by the District Magistrate, Satara, between 1971 and 1974 accounts were not received and checked even in a single case. These are the results of test check in three offices only.

71.6.4. Some interesting points noticed in audit are given below :

(i) One of the conditions under which such exemptions would be granted was that a full and true account of the whole of the takings with a written acknowledgement of the beneficiary should be furnished by the persons responsible for the management of the entertainment to the Additional Collector/District Magistrate within one month from the date of entertainment. Failure to comply involved liability to pay penalty of imprisonment upto six months or fine upto Rs. 1,000 or both. The responsibility to examine the accounts and to ensure that the conditions laid down by Government had been satisfied vested with the Additional Collector in Bombay, and District Magistrates in other places. Out of 306 sanctions recorded in the books of the Additional Collector, Bombay, between 1-4-1968 and 31-3-1974, accounts in 18 cases had not been received (October 1974), the yearwise details are given below :

Year in which the entertainment was held	No. of shows for which accounts are wanting
1969-70	4
1970-71	3
1971-72	4
1972-73	3
1973-74	4

As one of the conditions viz. submission of accounts within one month of the date of entertainment had not been satisfied in these cases as well as other cases wherein the accounts had been received after one month, they were not only not entitled to exemption, but also liable to penalty. But no recovery of duty had been made in any such case, nor any penalty levied (April 1975)

(ii) In one case it was noticed that an institution which was granted exemption from duty for exhibiting film shows in 1968 was again granted similar exemptions in 1971 and 1973, although the institution had not submitted accounts and details of the exempted entertainments for the previous years. The accounts had not been received (April 1975) and thus the Collector was yet to satisfy himself whether the collections had been utilised for the purpose for which the exemptions were granted.

(iii) In another case exemption for a show held on 9th September 1971 was granted by Government but the accounts were submitted to the Collector after 8 months after repeated reminders. The accounts submitted were incorrect as complete accounts of all the seats available in the theatre were not furnished. The institution did not furnish the full details even after several reminders. In spite of the above position, the institution was given exemption for another show held on 21st February 1972. The accounts for this show were submitted after 2 years after several reminders by the Collector and Government have since initiated action (April 1974) for recovery of tax payable on the basis of full house capacity.

(iv) An institution exhibited a film on 27th January 1972 without payment of entertainment duty and without obtaining exemption from Government. As prior exemption had not been obtained as required under rules, the institution was not entitled to any exemption. The institution had not submitted any account and no recovery of duty was made (April 1975). The matter was brought to the notice of Government (August 1974). Reply is awaited (April 1975).

(v) In three cases of exemptions granted to entertainments the takings of which were to be contributed to a Relief Fund, a large number of tickets were issued as complimentary as shown below. In two cases more than fifty per cent of the complimentary tickets were given to one party who was a co-sponsor of the show.

Serial No.	Available seats	Complimentary tickets issued
1	1162	466
2	1530	751
3	361	68

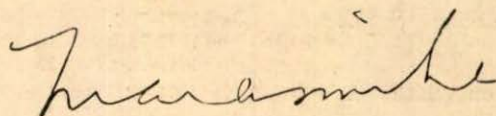
(vi) While granting exemptions in individual cases Government generally prescribes that the expenses incurred should not exceed twenty per cent of the receipts. A test check revealed that in five cases the actual expenses incurred had exceeded the receipts by much more than twenty per cent as shown below :

Serial No.	Receipts Rs.	Expenses Rs.	Percentage of expenses to receipt
1	3518	1635	46
2	6600	2900	44
3	32322	7817	24
4	10033	16,820	168 (Expenses is more than Receipts)
5	4,183	2,118	51

72. Reconciliation of receipts

The Maharashtra Treasury Rules, 1968 require that when Government money in the custody of a Government Officer is paid into the treasury, the head of the office should as soon as possible after the end of the month, obtain from the treasury a consolidated receipt for all remittances made during the month which should be compared with the posting in his cash book.

During test check by audit, it was noticed in one case that though three challans for Rs. 5,031, duly countersigned by the prescribed officer, had been attached to the return, the amount had not actually been remitted into the treasury. On this being pointed out in audit (January 1974), the amount was recovered (June 1974). In 4 other instances credits totalling Rs. 321 which were stated to have been remitted into the treasury were not traceable in the treasury accounts.



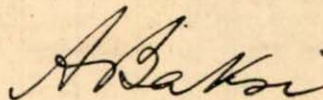
(T. NARASIMHAN)

Accountant General, Maharashtra-I.

Bombay,
The

19 AUG 1975

Countersigned



(A. BAKSI)

Comptroller and Auditor General of India.

New, Delhi,
The

21 AUG 1975

APPENDIX

Statement showing cost of collection under the principal heads of revenue

(Reference paragraph 4, page 4 of Chapter I)

Head of Account	Year	Collection	Expenditure on collection	Percentage of expenditure to collection
1	2	3	4	5
(In crores of rupees)				
1. Taxes on Income other than Corporation Tax—Taxes on Agricultural Income.	1971-72	0.31	0.02	6.45
	1972-73	(—)0.14	0.05	....
	1973-74	0.48	0.05	10.42
2. Land Revenue	1971-72	12.02	4.87	40.52
	1972-73	10.26	4.52	44.05
	1973-74	15.24	4.26	27.95
3. State Excise	1971-72	7.89	0.78	9.89
	1972-73	10.12	0.71	7.02
	1973-74	25.16	0.92	3.65
4. Taxes on Vehicles	1971-72	15.39	0.62	4.02
	1972-73	16.33	0.66	4.04
	1973-74	19.73	0.76	3.85
5. Sales Tax	1971-72	156.98	2.00	1.28
	1972-73	174.66	2.08	1.19
	1973-74	223.73	2.38	1.06
6. Stamps (Non-Judicial)	1971-72	10.91	0.16	1.47
	1972-73	13.18	0.18	1.37
	1973-74	12.97	0.25	1.93
7. Registration	1971-72	1.10	0.46	41.82
	1972-73	1.22	0.71	58.20
	1973-74	1.41	0.55	39.00
8. Forest	1971-72	15.94	3.75	23.46
	1972-73	18.48	4.02	21.75
	1973-74	18.47	4.70	25.44