

**REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**FOR THE YEAR 1980-81
REVENUE RECEIPTS**

GOVERNMENT OF WEST BENGAL

IX
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~~...~~ (B) Sept 11.
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Rs. NR.

Rs. 10.00

[Free of Cost]

PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of West Bengal for the year 1980-81 is presented in a separate volume. The material in this Report has been arranged in the following order :—

- (i) Chapter I deals with the trend of revenue receipts classifying them broadly under tax revenue and non-tax revenue. The variation between the Budget estimates and actuals in respect of principal heads of revenue and the position of arrears of revenue, etc., are discussed in this chapter.
- (ii) Chapters II to VI set out certain cases and points of interest which came to notice during the audit of Sales Tax, Land Revenue, State Excise, Agricultural Income Tax and Other Tax Receipts.

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

CHAPTER I

GENERAL

1.1. Trend of revenue receipts

The total receipts of the Government of West Bengal for the year 1980-81 were Rs.1,091.71 crores against the anticipated receipts of Rs.1,123.73 crores. The total receipts during the year registered an increase of 24.14 per cent over those of 1978-79 (Rs.828.18 crores) and an increase of 11.78 per cent over those in 1979-80 (Rs.963.15 crores). Of the total receipts of Rs.1,091.71 crores, the State Government raised Rs.669.45 crores, of which Rs.524.33 crores represented "Tax Revenue" and Rs.145.12 crores was "Non-Tax Revenue". Receipts from the Government of India by way of share of Central Taxes and grants-in-aid amounted to Rs.422.26 crores.

1.2. (a) Analysis of revenue receipts

An analysis of the receipts during 1980-81 along with the corresponding figures for the preceding two years is given below :—

	1978-79	1979-80	1980-81
	(In crores of rupees)		
I. Revenue raised by the State Government—			
(a) Tax Revenue	408.15	479.09	524.33
(b) Non-tax Revenue	90.14	127.46	145.12
Total	<u>498.29</u>	<u>606.55</u>	<u>669.45</u>
II. Receipts from the Government of India—			
(a) State's share of divisible Union Taxes	161.73	277.57	309.90
(b) Grants-in-aid	168.16	79.03	112.36*
Total	<u>329.89</u>	<u>356.60</u>	<u>422.26</u>
III. Total receipts of the State (I+II)	<u>828.18</u>	<u>963.15</u>	<u>1,091.71</u>
IV. Percentage of I to III	60.2	63.0	61.3

Receipts from the Central Government by way of the State's share of Union taxes and grants-in-aid during the year 1980-81 worked out to about 38.7 per cent of the total receipts of the State. The State's own mobilisation amounted to 61.3 per cent approximately.

*For details please see statement No. 11 "Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of West Bengal for 1980-81.

-(b) Tax revenue raised by the State

An analysis of the tax revenue for the year 1980-81 and for the preceding two years is given below :—

	1978-79	1979-80	1980-81	(+) Increase (-) Decrease in 1980-81 with reference to 1979-80
(In crores of rupees)				
(1) Taxes on Agricultural Income ..	8.81	7.28	2.25	(-) 5.03
(2) Other Taxes on Income and Expenditure.	..	7.31	10.51	(+) 3.20
(3) Land Revenue	20.07	17.19	17.71	(+) 0.52
(4) State Excise	35.60	43.91	51.75	(+) 7.84
(5) Taxes on Vehicles	14.72	16.62	18.89	(+) 2.27
(6) Sales Tax	237.20	281.07	299.55	(+) 18.48
(7) Stamps and Registration Fees ..	22.91	25.00	28.72	(+) 3.72
(8) Taxes and Duties on Electricity ..	16.22	14.22	18.11	(+) 3.89
(9) Taxes on Goods and Passengers ..	27.98	41.84	50.69	(+) 8.85
(10) Other Taxes and Duties on commodities and Services.	24.32	24.10	25.74	(+) 1.64
(11) Taxes on Immovable Property* ..	0.32	0.55	0.41	(-) 0.14
Total ..	408.15	479.09	524.33	(+) 45.24
Percentage of the receipt from tax revenue to the State's own revenue receipts.	81.0	79.0	78.3	(-) 0.7

The reasons for increase or decrease under the heads in question called for from Government in (February 1982) are awaited (May 1982).

*This head accommodates receipts under the West Bengal Multistoreyed Buildings Tax Act, 1975.

(c) Non-tax revenue of the State

The principal sources of non-tax revenue of the State were Dairy Development, Interest, Education, Medical, Social Security and Welfare, Forest, Industries, Mines and Minerals and Housing. An analysis of non-tax revenue under the principal sources for the year 1980-81 and the preceding two years is given below :—

	1978-79	1979-80	1980-81	(+) Increase (-) Decrease in 1980-81 with reference to 1979-80
(In crores of rupees)				
(1) Interest	10.32	16.20	16.01	(-) 0.19
(2) Education	2.78	4.59	3.04	(-) 1.55
(3) Medical	9.87	7.45	11.62	(+) 4.17
(4) Housing	1.59	1.82	2.38	(+) 0.56
(5) Social Security and Welfare ..	6.84	21.85	6.46	(-) 15.39
(6) Dairy Development	16.03	15.49	13.26	(-) 2.23
(7) Forest	8.48	9.02	12.54	(+) 3.52
(8) Industries	2.93	2.59	2.79	(+) 0.20
(9) Mines and Minerals	0.75	4.51	2.89	(-) 1.62
(10) Others	30.55	43.94	74.13	(+) 30.19
Total ..	90.14	127.46	145.12	(+) 17.66

The reasons for short-fall under Dairy Development, Interest, Education, Social Security & Welfare and Mines and Minerals called for from the departments are awaited (May 1982).

1.3. Variation between the Budget estimates and the actuals

(i) The receipts compared to the Budget Estimates during the three years 1978-79 to 1980-81 were as under :—

	Year	Budget Estimates	Actuals	Variation Excess(+) / Short-fall (-)
(In crores of rupees)				
(A) Tax Revenue	1978-79	417.45	408.15	(-) 9.30
	1979-80	502.49	479.09	(-) 23.40
	1980-81	603.90	524.33	(-) 79.57
(B) Non-tax Revenue	1978-79	106.59	90.14	(-) 16.45
	1979-80	128.45	127.46	(-) 0.99
	1980-81	140.72	145.12	(+) 4.40

(ii) The variations between the Budget Estimates and the actuals under the principal heads of revenue are given below :—

Head of revenue	Year	Budget estimates	Actuals	Variation (+) Excess (-) Shortfall	Percentage of variation
(In crores of rupees)					
(1) Taxes on Agricultural Income	1978-79	4.39	8.81	(+)4.42	100.7
	1979-80	9.00	7.28	(-)1.72	19.1
	1980-81	8.00	2.25	(-)5.75	71.9
(2) Other Taxes on Income and Expenditure	1978-79	**	..	..	..
	1979-80	13.00	7.31	(-)5.69	43.8
	1980-81	16.00	10.51	(-)5.49	34.3
(3) Land Revenue ..	1978-79	20.39	20.07	(-)0.32	1.6
	1979-80	33.89	17.19	(-)16.70	49.3
	1980-81	42.89	17.71	(-)25.18	58.7
(4) State Excise ..	1978-79	34.55	35.60	(+)1.05	3.0
	1979-80	39.31	43.91	(+)4.60	11.7
	1980-81	52.00	51.75	(-)0.25	0.5
(5) Taxes on vehicles ..	1978-79	16.58	14.72	(-)1.86	11.2
	1979-80	22.00	16.62	(-)5.38	24.5
	1980-81	25.70	18.89	(-)6.81	26.5
(6) Sales Tax ..	1978-79	242.61	237.20	(-)5.41	2.2
	1979-80	287.18	281.07	(-)6.11	2.1
	1980-81	330.61	299.55	(-)31.06	9.4
(7) Stamps and Registration Fees	1978-79	25.60	22.91	(-)2.69	10.5
	1979-80	25.00	25.00	..	..
	1980-81	26.55	28.72	(+)2.17	8.0
(8) Taxes and Duties on Electricity	1978-79	20.90	16.22	(-)4.68	22.4
	1979-80	24.74	14.22	(-)10.52	42.5
	1980-81	25.00	18.11	(-)6.89	27.6
(9) Taxes on Goods and Passengers	1978-79	26.75	27.98	(+)1.23	4.6
	1979-80	31.00	41.84	(+)10.84	35.0
	1980-81	41.75	50.69	(+)8.94	21.4
(10) Other Taxes and Duties on Commodities and Services	1978-79	25.33	24.32	(-)1.01	4.0
	1979-80	30.00	24.10	(-)5.90	19.7
	1980-81	35.00	25.74	(-)9.26	26.5
(11) Interest ..	1978-79	16.63	10.32	(-)6.31	37.8
	1979-80	28.83	16.20	(-)12.63	43.8
	1980-81	32.50	16.01	(-)16.49	50.7
(12) Education ..	1978-79	0.85	2.78	(+)1.93	227.0
	1979-80	3.29	4.59	(+)1.30	39.5
	1980-81	3.11	3.04	(-)0.07	2.3
(13) Medical ..	1978-79	11.14	9.87	(-)1.27	11.4
	1979-80	14.13	7.45	(-)6.68	47.3
	1980-81	14.12	11.62	(-)2.50	17.7
(14) Housing ..	1978-79	1.79	1.59	(-)0.20	11.2
	1979-80	2.99	1.82	(-)1.17	39.1
	1980-81	3.84	2.38	(-)1.46	38.0
(15) Social Security and Welfare	1978-79	9.30	6.84	(-)2.46	26.5
	1979-80	11.70	21.85	(+)10.15	86.8
	1980-81	13.00	6.46	(-)6.54	50.3

**The tax on Professions, Trade, Callings and Employment was levied with effect from 1st April 1979.

Head of revenue	Year	Budget Estimates	Actuals	Variation (+) Excess (-) Shortfall	Percentage of variation
(In crores of rupees)					
(16) Dairy Development ..	1978-79	21.75	16.03	(-) 5.72	26.3
	1979-80	17.32	15.49	(-) 1.83	10.6
	1980-81	17.47	13.26	(-) 4.21	24.1
(17) Forest ..	1978-79	8.50	8.48	(-) 0.02	0.2
	1979-80	9.23	9.02	(-) 0.21	2.3
	1980-81	10.30	12.54	(+) 2.24	21.7
(18) Industries ..	1978-79	4.98	2.93	(-) 2.05	41.2
	1979-80	5.94	2.59	(-) 3.35	56.4
	1980-81	5.02	2.79	(-) 2.23	44.4
(19) Mines and Minerals ..	1978-79	0.10	0.75	(+) 0.65	650.0
	1979-80	0.11	4.51	(+) 4.40	4000.0
	1980-81	0.11	2.80	(+) 2.78	***

In all cases except in the case of State Excise, Sales Tax, Stamps and Registration Fees and Education, the variations were in excess of ten per cent. The reasons for variation called for from Government are awaited (May 1982).

In the Revised Estimate for the year 1980-81, anticipated receipt in respect of Taxes on Agricultural Income was shown as Rs.4.25 crores as against original Estimate of Rs.8 crores. Depression in Tea industries and challenge of the validity of Bengal Agricultural Income Tax (Amendment) Act, 1980 in the Court of Law were indicated as the reasons for the same.

1.4. Cost of collection

The expenditure incurred during 1980-81 on collection under the principal heads of revenue and the percentage of the cost of collection to revenue collected during the three years 1978-79 to 1980-81 are given in Appendix 1.

Figures of arrears in respect of Land Revenue, Sales Tax, Agricultural Income Tax, Motor Vehicles Tax, Entry Tax, State Excise, Stamps and Registration Fees, Entertainment, Betting and Luxury Tax, Electricity Duty and Water rates are awaited (May 1982) from the departments. Consequently, the total amount of uncollected dues, the amount covered by certificate proceedings, the collection stayed by Government, the High Court and Judicial Authorities, the present position of recovery, the possibility of recovery, steps taken by the departments to recover the dues, etc., could not be ascertained in audit.

1.5. Internal Audit

There is no Internal Audit system in vogue in the State Receipts except in the Directorate of Entry Tax and Motor Vehicles.

***Reasons for too large variation are awaited (May 1982) from the department.

CHAPTER II

SALES TAX

2.1. Results of test audit in general

During the year 1980-81, test audit of accounts of the Commercial Tax Offices revealed under-assessments of tax of Rs.822.37 lakhs in 859 cases, categorised under the following heads :

Nature of irregularity	Number of cases	Amount (In lakhs of rupees)
1. Non-levy of tax for inadequate survey	142	28.21
2. Incorrect exemption	90	74.08
3. Irregular concession	65	17.40
4. Non-levy of penalty	76	70.31
5. Incorrect determination of gross/taxable turnover ..	62	87.76
6. Incorrect computation of tax	173	29.23
7. Under-assessment due to incorrect classification ..	17	81.09
8. Application of incorrect rate	55	2.23
9. Loss of revenue for not taking action in time ..	33	414.00
10. Non-realisation of tax for inadequate information ..	65	4.24
11. Others	81	13.82
Total ..	859	822.37

Some important cases are mentioned in Paragraphs 2.2 to 2.20.

2.2. Assessment and collection of Sales Tax

2.2.1. Introductory

Taxes on sales of goods inside the State are levied and collected under two Acts—The Bengal Finance (Sales Tax) Act, 1941 and the West Bengal Sales Tax Act, 1954. While the former is the general sales tax law of the State levying a single point tax on the last sale from a registered dealer to an unregistered dealer or a consumer and a multipoint tax on sales by one registered dealer to another, the latter takes out certain commodities (notified by Government from time to time) from the purview of the former Act and subjects them to a levy of tax at a single point at the first stage of sale by a manufacturer, producer or importer. Taxes on inter-State sales are levied under the Central Sales Tax Act, 1956.

Under the Bengal Finance (Sales Tax) Act, 1941, sales tax is levied when annual turnover of a dealer exceeds certain prescribed limits, but under the West Bengal Sales Tax Act, 1954 and the Central Sales Tax Act, 1956, there are no such minimum limits for taxation.

Tax is collected from dealers on the basis of returns submitted by them and assessments made by the department thereon. For this purpose every registered dealer is required to submit the prescribed returns in respect of his turnover within the prescribed period after paying into a Government Treasury or the Reserve Bank of India in the prescribed manner the full amount of tax due from him as per his returns and to furnish such receipted challan along with the returns. The tax so paid as per the returns is adjusted against the demands raised on the basis of regular assessment by the department which are required to be made within four years. If any tax is due on regular assessment after adjusting the amount already paid along with the returns, a demand notice is issued for the payment of the balance amount. In case of non-payment of the tax due as demanded, recovery proceedings are resorted to. Default in submission of returns or non-payment of tax due as per returns or on final assessment may attract penalty at the discretion of assessing authority.

The Sales Tax Rules provide for the maintenance of "Demand and Collection Register" by the assessing authority to see *inter alia*, that action is taken against the defaulting dealers for non-submission of returns and non-payment of demands.

While examining the reports of the Comptroller and Auditor General of India (Revenue Receipts) for the years 1972-73 and 1973-74 on arrears of sales tax, the Public Accounts Committee (1980-82) observed in their report dated 17th September 1981 to the Assembly that there was a pressing need for tightening up the process involved in collection and supervision thereof and plugging of loopholes, if any, and recommended a comprehensive review of the system by the department.

A test check (September 1981) by audit in respect of the years 1978-79 to 1980-81 revealed the following :

2.2.2. Collections of sales tax

The total collection from sales tax during the three years ending 1980-81 were Rs.237.20 crores, Rs.281.07 crores and Rs.299.55 crores.

The department could not give a break-up of the collections as between pre-assessment and post-assessment collections as the collection register had not yet been completed, The department,

however, stated that the pre-assessment collection was between 75 and 85 per cent of the revenue collected. Test check of two sales tax offices showed that the post-assessment collection for the years 1979-80 and 1980-81 came to about 25 per cent of the total collection. Such high percentage of post-assessment collection points to the necessity of gearing up of the assessment machinery to ensure that assessments are completed promptly so as to reduce the proportion of the revenue locked up in pending assessments to the minimum. (c.f. para 2.2.7)

2.2.3. Defects in the system of submission of returns

Under the Bengal Finance (Sales Tax) Act, 1941, if no return is submitted by a dealer or if the return submitted by him appears to be incorrect and incomplete, the sales tax authority shall assess the dealer to the best of his judgement. In case of best judgement assessment, the assessing officer may, if he is satisfied that the default was made without reasonable cause, impose penalty to the extent of one hundred and fifty per cent of the assessed tax due, for non-submission of returns, belated submission of returns, or for submission of incorrect and incomplete returns. Thus in every best judgement assessment case, the assessing officer has to record his degree of satisfaction about the reasonableness of the cause for any of the three defaults and decide about imposition of penalty.

(i) The position of submission of returns by registered dealers under the Bengal Finance (Sales Tax) Act, 1941, for three years in respect of four sales tax offices viz. 24-Parganas, Radhabazar, Asansol and Lyons Range as noticed during test check was as follows :

Year			Total number of cases assessed	Number of incorrect/ incomplete returns	Number of nil/non-submission of returns	Number of belated submission of returns
1978-79	..	..	8,088	3,289	4	3,495
1979-80	..	..	9,002	3,766	18	3,705
1980-81	..	..	9,098	3,725	33	3,852
		Total	26,188	10,780	55	11,052

The above position reveals that incorrect/incomplete returns constitute 41.2 per cent of the total assessment cases and belated returns constitute 42.2 per cent.

(ii) *Incorrect and incomplete returns*—Out of the total 26,188 assessments for various periods finalised between 1978-79 and 1980-81 in the four sales tax offices test checked, 21,793 cases were assessed by the sales tax authorities on best judgement basis out of which penalties were levied only in 11,013 cases,

(iii) *'Nil' return or non-submission of return*—(a) In 55 cases where no return or nil returns were submitted by the dealers for various periods between 1978-79 and 1980-81, taxes amounting to Rs.43.65 lakhs were found payable. These assessments were not disputed by the dealers. In these cases a total maximum penalty of Rs.65.47 lakhs was leviable for non-submission of returns or submission of nil returns but no penalties were levied in these cases and there were also no recorded reason for not doing so. The dealers in these cases also escaped payment of advance taxes for periods ranging up to about four years.

(b) It was noticed in the course of test audit that three other dealers also did not furnish the periodical returns for various periods of accounting years between March 1971 and March 1974. Total tax assessed in their cases amounted to Rs.9,13,055. No penalty, the maximum amount of which was Rs.13.70 lakhs, was levied in these cases nor any reasons for such non-imposition were recorded. It was also seen that in the case of two dealers for their two subsequent assessments, the sales tax authority levied penalty for similar default.

The non-filing of returns and non-payment of tax on the basis of self-assessment remained unnoticed as the "Demand and Collection Register" was not maintained by the assessing officers as required under the Sales Tax Rules.

(iv) *Belated submission of returns*—In the 11,052 cases of belated returns finalised in the four sales tax offices between 1978-79 and 1980-81, against the assessed tax of Rs.1,826.12 lakhs, token penalties of Rs.81.03 lakhs for belated submission of returns were levied as shown below. The maximum penalties leviable in these cases amounted to Rs.2,739.18 lakhs.

Year	Number of cases where penalty levied	Amount of penalty levied	Amount of assessed tax due on penalty cases	Percentage of penalty to the assessed due tax
(In lakhs of rupees)				
1978-79	3,495	17.02	363.89	
1979-80	3,705	36.97	593.03	
1980-81	3,852	27.04	869.20	
Total ..	11,052	81.03	1,826.12	4.4

2.2.4. There is no provision under the sales tax laws of West Bengal for charging interest apart from penalty for belated submission of returns as leviable under the State sales tax laws of some other

States. The Sales Tax Study Committee, West Bengal in their Report (1979) also recommended for charging interest in such cases. The facts brought out above reveal that the number of defaulters was on the increase compared to the previous years and paid to the need for charging penalty.

2.2.5. On analysis of the cases of delay in submission of return or of payment of advance tax it was noticed in audit as follows :

- (i) In respect of two offices, in 29 cases assessed between 1978-79 and 1980-81 the dealers had paid Rs.20.86 lakhs along with their returns only 27 per cent of the total tax assessed and payable on this account amounting to Rs.76.69 lakhs. In these cases token penalty of Rs.0.79 lakh (1.4 per cent on the assessed tax due) was only levied. By this process, the dealers could withhold payment for two to four years of a total amount of Rs.55.83 lakhs which was to be deposited by them with their returns.
- (ii) It was also seen from the assessment records of the above two offices that in 14 cases no tax as per returns was paid by the dealers which resulted in withholding payment of tax amounting to Rs.16.49 lakhs for periods from two years to four years. In these cases also a token penalty of Rs.0.61 lakh was only levied (average 3.6 per cent of the levied amount).

Thus, postponement of the payment of tax by the dealers mentioned above to the extent of Rs.72.32 lakhs for various periods varying from two to four years caused potential loss of interest on the amount, which, excluding the amount of penalty levied, worked out to Rs.27.98 lakhs on the basis of the borrowing rate of Government for the years 1974-75 to 1980-81 (11 per cent).

2.2.6. Default in payment of tax as per returns

If the amount of tax due as per return submitted by a dealer is not deposited in full in favour of Government and the relevant receipt is not submitted along with the return by the prescribed due date, a penalty of a sum up to the extent of one and a half times of the assessed tax due shall be leviable.

In the course of audit of three offices it was noticed that in four cases the dealers had filed the quarterly returns in time for various periods ending between December 1972 and June 1974 showing the total tax payable as Rs.37,23,067 but short deposited taxes to the

extent of Rs.10,39,437 which were paid after the prescribed due dates. Penalty to the extent of Rs.36.45 lakhs on the assessed tax due of Rs.24.30 lakhs was leviable in these cases as detailed below :

Sl. No.	Period of assessment	Amount of tax due as per returns	Amount of tax paid within the prescribed dates	Amount of tax paid after due dates	Amount of assessed tax	Amount of assessed tax on which penalty leviable	Extent of delay
		Rs.	Rs.	Rs.	Rs.	Rs.	
1.	4 Q.E. 31-12-73	30,34,012	24,30,000	6,04,012	30,65,747	6,95,747	Between 16 days and 1 month
2.	4 Q.E. 31-3-74	48,312	21,033	27,009	48,693	27,390	Between 27 days and 1 month 20 days
3.	4 Q.E. 30-6-74	5,55,743	2,32,327	3,23,416	17,24,891	14,92,564	Between 2 days and 3 months
4.	4 Q.E. 31-12-72	85,000	(Not available)	85,000	2,74,522	2,74,522	By 9 months
Total ..		37,23,067	26,83,630	10,39,437	51,13,853	24,30,223	.

The assessing authorities did not levy any penalty in these cases. There were also no recorded reasons for not invoking the penal provisions.

2.2.7. Norms for assessment

Under the Bengal Finance (Sales Tax) Act, 1941, an assessment has to be completed within a period of four years from the end of the year to which the assessment relates.

The department has prescribed norms ranging from 200 to 425 cases for completion of assessments for a Commercial Tax Officer and from 400 to 575 per annum for an Additional Commercial Tax officer. No data were, however, available on actual performance officer-wise against these norms. The department stated (January 1982) that as against 2,48,477 and 2,67,531 cases which were to be assessed in 1978-79 and 1979-80 by 281 and 244 officers respectively, the actual disposals were 92,861 and 89,458 only. These figures would indicate a performance level of only 35 per cent with reference to the actual number of assessment cases which itself was far below the norms fixed. No reasons were given for the shortfalls.

2.2.8. Trend of assessments

On a test check the following position of assessments in respect of four sales tax offices (Lyons Range, Asansol, Radhabazar and 24-Parganas) was noticed :

	1978-79				1979-80				1980-81			
	B.F. (S.T.) Act, 1941	C.S.T. Act, 1956	Total	Percent- age with reference to total number of cases	B.F. (S.T.) Act, 1941	C.S.T. Act, 1956	Total	Percent- age with reference to total number of cases	B.F. (S.T.) Act, 1941	C.S.T. Act, 1956	Total	Percent- age with reference to number of cases
(i) Total number of cases assessed	8088	5111	13199	..	9002	5566	14568	..	9098	5710	14808	..
(ii) Number of cases assessed with reference to returns	1336	2307	3643	27.6	1535	2671	4206	28.9	1524	2614	4138	28
(iii) Number of cases assessed according to assessing authorities' judgement	6752	2804	9556	72.4	7467	2895	10362	71	7574	3096	10670	72
(iv) Number of cases out of serial No. (iii) assessed in the 4th/last year	3380	2120	5500	41.7	4383	2705	7088	50	5006	3130	8136	55

The position shown in the above table indicates that many of the assesseees either avoided furnishing tax returns or furnished the returns with incorrect|incomplete data with the result that the assessing authorities had to complete the assessment to the best of their judgement.

Postponement of the assessment proceedings to the fag end of the limitation period had an adverse effect on the realisation of tax dues. In the course of test check (between June and November 1981) in the four offices, it was noticed that, due to delay in assessment proceedings in thirty-three cases in respect of twelve dealers, the amount of tax due (Rs.4.14 crores) remained unrealised as it was stated that the dealers had, meanwhile, closed down their business|gone into liquidation.

A few instances of delay in assessment with little prospect of realisation of the assessed tax are given below :

- (a) In the case of a dealer for the assessment period ending December 1970, the assessment was made in September 1974, when additional tax of Rs.10,45,500 was assessed. But the evidence of service of demand notice could not be made available to the certificate officer to whom the case was referred in 1977 for initiating recovery proceedings. As a result, the certificate proceedings had to be cancelled (21st May 1979), whereafter the demand notice was issued (29th May 1979), when the demand was already barred by limitation.

It was further noticed in audit (November 1981) that the dealer had not responded to the demand notice and had gone into liquidation (January 1981).

- (b) In three assessment cases of a dealer in respect of periods ending December 1972, December 1973 and December 1974 assessed between November 1976 and September 1978, demand notices with additional demands of Rs.35,739, Rs.2,70,245 and Rs.2,56,745 were served originally in December 1976, July 1977 and September 1978, respectively, but subsequently the notices were returned undelivered by the Postal Department. Thereafter, the demand notices were served in February 1977 through process server and by displaying them in May 1978 at the official address in respect of the assessment periods ending December 1972 and December 1973 respectively. No report of service of the demand notice for the year ending December 1974 was available in the case record.

- (c) In two cases relating to two dealers for assessment periods ending March 1975 and July 1975 assessed in February 1979 and January 1979, demand notices specifying the additional demand of Rs.58,051 and Rs.20,199 were issued in February 1979 and January 1979, respectively, but were returned undelivered with the remark "left" by the Postal Department. Further reports regarding service of these demand notices were not available in the case records. Thus non-service|service of demand notices after the expiry of four years, led to non-recovery of tax of Rs.16.87 lakhs in the aggregate in these cases.
- (d) An instance of loss of revenue due to delay in re-assessment of tax as per appellate authority's orders is given below :

In two assessment cases of a dealer who preferred (July 1971) an appeal for the assessment period ending June 1967 in respect of a disputed amount of tax of Rs.24,976, the appellate authority in his order dated 25th January 1972 set aside the cases and directed the assessing officer to make fresh assessment. The assessing officer instead of completing the fresh assessment within the prescribed period, i.e. 24th January 1976, allowed a number of adjournments to the dealer up to 3rd July 1976 by which date fresh assessments were hit by time-bar. Failure on the part of the assessing officer to make a fresh assessment within the prescribed period, resulted in loss of revenue. The assessing officer admitted the loss of revenue in this case.

2.2.9. Collections

The collection of sales tax revenue is made on the basis of return in two stages—

- (i) Pre-assessment tax deposited by the dealers as per returns submitted by them, and
- (ii) Balance if any, after assessment made by the assessing officer.

The amount of tax due as per returns or as per assessment is payable into a Government Treasury|Reserve Bank of India by a challan within the specified date. The position of collection of sales

tax due as per final assessments in respect of four sales tax offices, noticed (between June and November 1981) in audit for the year 1980-81 is as follows :

Name of office	Number of assessment cases	Amount of tax due after adjustment of advance payment	Number of cases where due tax paid	Amount of tax paid	Number of remaining cases	Amount of tax involved
		Rs.		Rs.		Rs.
Lyons Range ...	2058	6,43,22,300	43	66,657	2015	6,42,55,643
Asansol ..	1156	2,20,03,254	..	..	1156	2,20,03,254
Radhabazar ..	1345	1,10,08,334	9	1,08,393	1336	1,08,99,941
24-Parganas ..	4539	1,37,41,912	..	..	4539	1,37,41,912
	9098	11,19,75,800	52	1,75,050	9046	11,18,00,750

2.2.10. Non-levy of penalty on belated payment of demanded tax

Under the Bengal Finance (Sales Tax) Act, 1941 and the rules made thereunder, if any dealer is in default of making payment of tax due after his assessment has been made and the date specified in the notice which should not be less than 30 days after the service of the notice has expired, he is liable to pay a penalty of a sum not exceeding the amount of tax due. The Act does not specify the amount of penalty leviable in relation to the extent of delay in payment.

In the course of audit of records of the four sales tax offices, it was noticed that although 9,098 cases were finalised during 1980-81 raising tax demand of Rs.1,119.76 lakhs after specifying the dates fixed for payment in the demand notices issued in this respect (two months generally), only in 52 cases, tax amounting to Rs.1.75 lakhs was paid within the specified date. In the other cases, penalty proceedings had not been initiated (October 1981). The maximum amount of penalty leviable on these cases amounted to Rs.1,118.01 lakhs.

2.2.11. Reduction of tax demand due to non-maintenance of required records

Under the sales tax laws, the dealers have to file the prescribed returns of turnover on sales and pay the tax according to the these returns pending assessments. These payments are noted in the respective assessment and collection records and finally adjusted against the demand after final assessment. A few cases of reduction

of tax demand owing to mistake in postings of such payments, noticed in audit of these records with reference to original challans, lying with the Commercial Tax Offices, are given below :—

In 19 cases relating to nine offices, detailed in Appendix II, credits for payments of tax were inflated in favour of the assesseees to the extent of Rs.2.23 lakhs by affording :—

- (i) some credits twice,
- (ii) credits not supported by receipted challans,
- (iii) credits for higher amounts.

On these being pointed out in audit, the sales tax authorities agreed to review 15 cases involving Rs. 2.01 lakhs after admitting (between April 1977 and March 1981) the mistakes. Further report regarding realisations of the amounts due and report regarding short collection in the remaining 4 cases is awaited.

The departmental regulations require—

- (i) verification of payment entries made in the collection register, and
- (ii) reconciliation of the monthly collection and balance figures with the challan registers and treasury figures.

The above irregularities could have been detected and avoided if these departmental regulations were followed and the treasury copies of the challan were kept in the relevant case records, as required. During test check it was further observed (October 1981) that the treasury copies of challans mostly were not kept with the assessment cases implying that these assessments were finalised on the basis of dealers' copies of challans. The system of affording credits based on the dealers' copies of challans is not fool-proof.

2.2.12. Recovery action

In cases where the dealer fails to pay the tax and other amounts due under the Acts as per the demand notices issued by the sales tax authorities, the amounts are recoverable by any of the following processes :

- (A) By issue of recovery certificates through certificate procedure,
- (B) By calling upon other persons who owe money to the dealers to pay to the extent they owe money and to the extent of arrears due to the department known as 'garnishee proceedings'.

Requisitions for certificates are to be filed by the sales tax department before the certificate officers for recovery of the outstanding demand. While the Collectors and Subdivisional Officers of districts other than Calcutta and 24-Parganas, are certificate officers in their respective area under Revenue Department, Commercial Tax Officers of the certificate organisation under the Sales Tax Department have been designated from March 1973 as certificate officers in respect of Calcutta and 24-Parganas, empowered to take suitable action for recovery of Government dues in respect of which certificate cases are filed with them. The scheme of realisation envisages service of a demand notice on a certificate debtor. In case of non-payment within the notice periods, the certificate officer executes the certificates by resorting to one or all of the following methods :

- (a) attachment of any decree;
- (b) attachment and sale of the property of the debtor; and
- (c) arresting the certificate debtor and detaining him in civil prison.

The total amount of post-assessment sales tax demand in arrear in the State at the end of each of the last 5 years was as follows :

Year	Sales tax realised during the year	Outstanding balance at the end of March
		(In crores of rupees)
1976-77	182.47	100.35
1977-78	198.02	108.10
1978-79	237.25	114.79
1979-80	281.07	137.62
1980-81	(Not available)	

The information as to the yearwise break-up of arrears as well as the total amount covered by certificate proceedings for the whole State was not available with the department. On a test check in audit it has been noticed (September 1981) that there was also no adequate follow up action either in the sales tax offices or centrally at the departmental level to watch the progress of the certificate proceedings and speedy collection of Government dues.

2.2.13. Working of the certificate offices of the Revenue department

A test check of a certificate office of a district (Asansol) of the Revenue Department conducted in September 1981 revealed the following :

The table below indicates the trend of disposal of certificate cases and realisation therefrom together with the opening and closing balances in respect of the charge (Asansol).

Year	Opening balance		Additions during the year		Total cases for disposal		Cases disposed of		Pending cases	
	No. of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	
(Amount in lakhs of rupees)										
1978-79	1444	74.98	108	6.79	1612	81.77	11	1.78	1601	79.99
1979-80	1601	79.99	33	1.61	1634	81.60	14	0.59	1620	81.01
1980-81	1620	81.01	47	3.95	1667	84.96	6	0.05	1661	84.91

Out of 31 cases disposed of during 1978-79 to 1980-81, only in 7 cases sales tax dues amounting to Rs. 7,877 were collected and in 2 cases the certificate work was held up on account of the assessments being set aside by the Appellate Authorities and the remaining 22 cases involving a sum of Rs. 2.07 lakhs were dropped due to inadequate information from the sales tax office.

The yearwise analysis of the outstanding certificate cases is given below :

	Number	Amount involved (In lakhs of rupees)
From 1954-55 to 1959-60	23	0.79
From 1960-61 to 1964-65	102	4.52
From 1965-66 to 1969-70	513	28.62
From 1970-71 to 1975-76	685	30.24
1976-77	59	5.59
1977-78	62	5.21
1978-79	157	5.02
1979-80	19	1.02
1980-81	41	3.90
	1661	84.91

2.2.14. Non-realisation of sales tax revenue due to inadequate information

Under the Bengal Public Demand Recovery Act, 1913, the certificate requisitioning officer is required to satisfy the certificate officer that the public demand payable has fallen due for which purpose a written requisition in the prescribed form has to be submitted by him. On a test check of the records of the above office

it was noticed that due to failure to furnish information required by the certificate officer to proceed in the cases, 76 certificates involving Rs.4.38 lakhs earlier filed by the sales tax offices during the period from 1970-71 to 1980-81 were dropped by the certificate officer, as detailed below and no further action was taken to realise the amount :

No. of cases dropped	Reasons	Amount involved (In lakhs of rupees)	When dropped
46	For want of detailed particulars from the certificate holder in spite of several reminders	3.34	Between August 1977 and August 1981
19	Certificate debtors remaining untraceable	0.90	Between December 1970 and February 1971
11	Certificate holders being not reasonably diligent	0.14	Between November 1970 and February 1971
76		4.38	

2.2.15. Working of the certificate organisation of the Sales Tax Department

Mention was made in paras 36 to 42 of the Report of the Comptroller and Auditor General of India for the year 1975-76 on Revenue Receipts about the position of certificate cases under the Sales Tax Department.

A further test check of the certificate organisation functioning for the districts of Calcutta and 24 Parganas, conducted in August 1981 revealed the following :

(i) Trend of realisation and disposal of certificate cases

Information regarding the position of certificate cases, amount collected and the number of cases disposed of during the period from 1976-77 to 1980-81 is given below :

Year	Opening balance		Total number of cases started during the year		Total Number of cases disposed for disposal	Number of cases disposed of	Amount collected (In crores of rupees)	Pending	
	Number (In crores of rupees)	Amount (In crores of rupees)	Number	Amount (In crores of rupees)				Number	Amount (In crores of rupees)
1975-76	7,516	31.13	8,496	13.45	16,012	173	0.79	15,839	43.79
1976-77	15,839	43.79	7,606	7.97	23,445	91	0.65	23,354	51.11
1977-78	23,354	51.11	4,321	7.60	27,675	43	0.90	27,632	57.81
1978-79	27,632	57.81	1,409	5.46	29,041	..	0.76	29,041	62.51
1979-80	29,041	62.51	8,368	12.14	37,409	133	1.05	37,266	73.60
1980-81	37,266	73.60	6,865	14.78	44,121	..	0.72	44,121	87.66

The percentage of disposals to the total receipts during 1976-77, 1977-78 and 1979-80 was 0.4, 0.2 and 0.5, respectively, while during 1978-79 and 1980-81, respectively, there was no disposal (as furnished by the department). Compared to the position obtaining in 1975-76 the above position does not indicate any appreciable improvement in the disposal of certificate cases and collection through certificate proceedings.

A test check (November 1981) of case records relating to the three offices (24-Parganas, Radhabazar and Lyons Range) indicated that the working of the certificate organisation was constrained by information deficiencies and administrative delays, as detailed below :

(ii) *Information deficiencies*

The certificate organisation receives cases from the Commercial Tax Officers who are required to provide necessary information to the certificate officer for each individual case.

It was noticed that in 11 cases for a tax demand of Rs.42.14 lakhs as detailed in Appendix III, necessary particulars required in the execution of certificates were not furnished. As a result, the certificate organisation could not proceed with the cases.

(iii) *Administrative delays*

• Under the Bengal Public Demands Recovery Act, when a certificate has been filed in the office of the Certificate Officer a demand notice shall be served on the certificate debtor in the prescribed manner. This notice also prohibits the certificate debtor from alienating his immovable property or any part of it by sale, gift, mortgage or otherwise. The process of recovery by the certificate organisation is set into motion by the service of this initial notice.

Test check revealed the following administrative delay in the realisation of dues by the certificate procedure :

- (a) In 9 cases (as detailed in Appendix IV) involving tax demand of Rs.15.21 lakhs, service notices were not issued till October 1981, although the cases were filed between October 1978 and February 1981.
- (b) In 16 cases (as shown in Appendix V) involving a sum of Rs.35.73 lakhs, no follow up action after issue of service notices viz. attachment of any decree or property of the debtor or arrest, was taken by the certificate organisations and the delay as on November 1981 ranged from 21 months to 38 months.
- (c) In 21 cases involving an amount of Rs.52.85 lakhs (as detailed in Appendix VI), considerable delay ranging

from 6 months to 21 months had occurred in the service of notices in 21 cases after their receipt from the sales tax offices.

- (d) In 5 cases involving Rs.8.74 lakhs (as per Appendix VII), orders for service of distress warrant passed by the certificate courts were carried out after a lapse of considerable time, the delay ranging from 7 months to 13 months.

2.2.16. Recovery through 'Garnishee Proceedings'

Apart from certificate procedure, garnishee proceedings may also be instituted for effecting recovery.

In the course of audit, it was noticed that garnishee proceedings instituted against a dealer having tax liability of Rs.356.88 lakhs in his ten assessment cases (both State and Central) for the periods between December 1973 and December 1977, made between September 1977 and May 1978, were not expeditiously followed up inasmuch as notice required to be issued under the Act was issued in July 1978, only on one debtor asking him to deposit the amount due by him to the dealer, as against 38 debtors of the dealer, of whom 10 were recorded as Calcutta based dealers. Even the one 'garnishee' notice issued was subsequently revoked in November 1979. On an enquiry as to the reasons for such a revocation, the sales tax authority stated (November 1981) that this was done under the orders of Government. The whole amount of tax due had, thus, remained unrealised.

2.2.17. Summing up, the review highlights the following points :—

- (i) Dealers in two offices had paid along with their returns only 27 per cent of the total assessed tax and the penalty levied worked out to an average of 1.4 per cent of the tax due against the maximum leviable limit of 150 per cent.
- (ii) In four cases, maximum penalty leviable worked out to Rs.24.20 lakhs for default in payment of tax as per return, but nothing was levied.
- (iii) The performance level of Sales Tax assessment work was 35 per cent of the work load, which itself was below the norms fixed, but no reasons were given for such low performance.
- (iv) In ten cases, tax dues of Rs.4.31 crores became doubtful for recovery due to postponement of the assessment proceedings to the fag end of the limitation period as the

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dealers had, meanwhile, closed down their business or were untraceable.

- (v) Penalty proceedings for delayed payment of demanded tax were not initiated in any of the 9,046 cases test checked and maximum penalty for delayed payment of dues amounted to Rs.1,118.01 lakhs in these cases.
- (vi) Due to non-maintenance of required records there was a reduction of demand of Rs.2.01 lakhs in 15 cases.
- (vii) Out of 1667 certificate cases involving Rs.84.96 lakhs, instituted before the Revenue Department, only 31 were disposed of during 1978-79 to 1980-81 out of which in 7 cases, Rs.0.07 lakh were collected and 22 cases for Rs.2.07 lakhs were dropped due to inadequate information from Sales Tax Office.
- (viii) The working of departmental Certificate Organisation was marked by administrative delays and procedural deficiencies.

The points referred to in the foregoing paragraphs were reported to Government in November 1981; reply is awaited (May 1982).

2.3. Under-assessment due to irregular classification of X-Ray films

Under the Bengal Finance (Sales Tax) Act, 1941, sale of general goods to the registered resellers supported by prescribed forms is taxable at the rate ($\frac{1}{2}$ per cent up to 31st March 1974) of one per cent while sale of schedule II goods to registered resellers is exempt from tax. Photographic and other cameras and films required for use therewith are included as specified item in schedule II to the Act. As X-Ray apparatus is not a camera, X-Ray films do not come under the scope of schedule II and their sales to registered resellers are taxable as general goods.

In the course of audit, it was noticed (November 1980) that in the assessment of a dealer for seven years from 1969-70 to 1975-76, assessed between January 1973 and March 1980, sale proceeds of X-Ray films aggregating Rs.2,73,11,104 were exempted from tax by wrongly treating them as schedule II goods. This resulted in under-assessment of tax of Rs.2,48,316.

On this being pointed out in audit (November 1980), the department agreed (March 1981) to take necessary action in the matter. Further developments are awaited (May 1982).

The matter was reported to Government in June 1981; reply is awaited (May 1982).

2.4. Incorrect exemption of intra-State sales as sales in the course of export

Under the Central Sales Tax Act, 1956, as amended with effect from 1st April 1976, the last sale or purchase of any goods preceding the sale or purchase occasioning the export of those goods out of the territory of India, shall also be deemed to be in the course of such export, if such last sale or purchase took place after and was for the purpose of complying with the agreement or order for or in relation to such export.

In the course of audit it was noticed (July 1980) that in two assessments (July 1979 and May 1980) of a dealer for the period ending Aso Bodi 2033 (1976-77) and Aso Bodi 2034 (1977-78) the dealer was allowed exemption from sales tax in respect of turnover of Rs.2,70,512 treating the sales as in the course of export. It was, however, noticed that the dealer actually sold wooden planks to another dealer in West Bengal, who, in turn, used these goods in manufacturing packing materials for the purpose of packing other goods for export out of the territory of India. Thus, the goods sold by the dealer were not the same goods which were subsequently exported out of India. This irregular exemption resulted in under-assessment of tax of Rs.18,150.

On this being pointed out in audit (July 1980), the department admitted the mistake and agreed (May 1981) to revise the assessments. Further developments are awaited (May 1982).

The matter was reported to Government in August 1980; reply is awaited (May 1982).

2.5. Non-levy of tax on sales of P.V.C. coated fabrics

Under the Bengal Finance (Sales Tax) Act, 1941 and the rules made thereunder, sales of textile fabrics made wholly or partly of cotton, staple fibre or rayon or artificial silk or wool are exempt from sales tax. P.V.C. coated fabrics do not fall under the exempted category of textile fabrics and sale of these commodities is taxable.

In the course of audit, it was noticed (April 1979) that in the assessment of a dealer for the year ending March 1975, made in May 1978, sales of P.V.C. coated fabrics for Rs.3,53,095 were exempted from tax by erroneously treating the articles as textile fabrics. This resulted in non-levy of tax and surcharge to the extent of Rs.22,022.

On this being pointed out in audit (April 1979), the department agreed (May 1981) to revise the assessment. Further development is awaited (May 1982).

The matter was reported to Government in October 1980; reply is awaited (May 1982).

2.6. Under-assessment due to misclassification

Under the West Bengal Sales Tax Act, 1954, sales of locally purchased notified commodities are not taxable. Lubricating oils including mobil oil and industrial oil, grease and furnace oil were brought into the list of notified commodities under the West Bengal Sales Tax Act, 1954 with effect from 1st April 1974, leaving boiler oil and spindle oil to be taxed under the Bengal Finance (Sales Tax) Act, 1941.

In the course of audit, it was noticed (May 1979) that in the assessment (April 1978) of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the year ending Kartik Bodi 2031 (1973-74), turnover aggregating Rs.2,31,608 representing sale proceeds of boiler oil and spindle oil was not taxed treating these oils as notified commodities purchased locally. This resulted in under-assessment of tax of Rs.13,395.

On this being pointed out in audit (May 1979), the department admitted the mistake and agreed (November 1980) to review the case. Further development is awaited (May 1982).

The matter was reported to Government in July 1980; reply is awaited (May 1982).

2.7. Non-inclusion of freight and handling charges in the sale price

Under the Bengal Finance (Sales Tax) Act, 1941, the sale price of goods includes any sum charged for anything done by the dealer at any time before delivery of such goods. All the expenditure towards freight and handling charges incurred prior to sale is a component of the price for which the goods are sold and should, therefore, form part of the gross turnover for the purpose of assessment of tax.

In the course of audit, it was noticed (January 1981) that in three cases assessed between January 1975 and February 1978 in respect of two dealers for the years ending March 1973 and March 1974, a total amount of Rs.10,83,405 being inward carriage expenses and handling charges incurred by the dealers before actual delivery of the goods to the customers were not charged to tax, though in respect of subsequent years ending March 1975 and March 1976 such charges were subjected to tax on the ground that they were part of the sale price. This resulted in under-assessment of tax which amounted to Rs.62,658 in the three years.

On this being pointed out (January 1981) in audit, the department agreed (January 1981) to review the cases. Further developments are awaited (May 1982).

The matter was reported to Government in September 1981; reply is awaited (May 1982).

2.8. Irregular exemption of pump sets

Under the Bengal Finance (Sales Tax) Act, 1941, sales of agricultural implements are exempt from tax. Instructions were issued in August 1970 by the department with the approval of Government that pump sets used for lifting water from the well for irrigation of lands were not to be treated as agricultural implements and exemption from tax as had already been allowed should not be allowed further with effect from 15th August 1970.

In the course of audit it was noticed (March 1981) that in two assessments of a dealer for the years ending March 1975 and March 1976, made in September 1978 and February 1980, respectively, sale proceeds of pump sets aggregating Rs.8,49,656 were exempted from tax by erroneously treating them as agricultural implements. This resulted in non-levy of tax of Rs.52,993.

The matter was reported to Government in June 1981; reply is awaited (May 1982).

2.9. Non-levy of tax due to inadequate survey

Under the West Bengal Sales Tax Act, 1954, every dealer of notified commodities is required to get himself registered and to pay tax on all sales. Bricks (other than fire bricks) and roofing tiles were declared as notified commodities with effect from 1st September 1977.

In the course of audit in some land revenue circles of 24-Parganas (North) district, on cross verification of the record of the circles it was seen that there were 218 brick|tile manufacturers in the district manufacturing bricks|tiles for sale during the period from 1977-78 to 1980-81, of whom only 76 manufacturers were registered under the Sales Tax Offices (Barrackpore, Barasat) and the remaining 142 manufacturers functioning under thirteen different Land Reforms Circles remained unregistered. As a result, sale of bricks|tiles produced by these unregistered manufacturers to the extent of 15.98 crores valued at Rs.4.38 crores, based on average value taken by the assessing officers in respect of other registered dealers of the district, escaped taxation. This led to non-levy and non-realisation of tax of Rs.28.21 lakhs,

On this being pointed out (November 1981) in audit, the department agreed (November-December 1981) to take necessary action.

The matter was reported to Government in November 1981; reply is awaited (May 1982).

2.10. Under-assessment of Central Sales Tax due to treatment of local/corporate bodies as Government departments

Under the Central Sales Tax Act, 1956 and the rules made thereunder, sales to Government and registered dealers in the course of inter-State trade are taxable at concessional rate of 4 per cent (3 per cent up to 30th June 1975) provided such claims are supported by declarations in the prescribed forms obtained from purchasing dealers. Sales to Government undertakings and statutory local bodies which are not Government dealers will attract tax at the rate of 10 per cent.

- (i) In the course of audit, it was noticed (March 1981) that in two assessments of a dealer for the years ending March 1975 and March 1976 made in November 1978 and November 1979, total sales of Rs.2,11,281 to a Government undertaking were assessed at the concessional rate of tax instead of at the rate of 10 per cent. This resulted in under-assessment of tax of Rs.11,890. On this being pointed out, the department agreed (March 1981) to review the case; further development is awaited (May 1982).
- (ii) Similarly, in four assessments relating to four dealers for the years ending between 1974-75 and 1977-78, assessed between April 1976 and December 1979, total sales of Rs.30,09,392 to five undertakings/corporate bodies were assessed at the concessional rate of tax instead of at the rate of 10 per cent. This resulted in under-assessment of tax of Rs.1,90,728.

On this being pointed out (May-June 1980) in audit, the department stated (June 1980 and March 1981) that these undertakings/corporations were allowed concessional rate of tax being treated as Government departments. The views of the department are not tenable as they have separate legal entity.

The above cases were reported to Government between October 1980 and June 1981; reply is awaited (May 1982),

2.11. Unauthorised use of goods by registered dealers

Under the Bengal Finance (Sales Tax) Act, 1941 and the rules made thereunder, a registered dealer is entitled to purchase, on the strength of his registration certificate, goods required by him for use directly in the manufacture in West Bengal of goods intended for sale, at the concessional rate of 2 per cent on furnishing declaration in the prescribed form. If the goods so purchased are not used by him directly in the manufacture of goods in West Bengal for sale, the dealer shall be liable to a penalty of a sum not exceeding double the amount of tax which could have been levied in respect of the sale of the goods concerned.

- (a) In the course of audit it was noticed (August 1980) that in the assessment of a manufacturing dealer for the year ending March 1976, made in August 1979, raw materials (declared goods) worth Rs.9,94,380, purchased at the concessional rate of tax for being used in the manufacture of goods for sale, were shown in the dealers' account as sold out. The maximum penalty leviable for breach of declaration worked out to Rs.76,567, which was not considered by the department.

On this being pointed out (August 1980) in audit, the department agreed (September 1980) to re-examine the case. Further development is awaited (May 1982).

- (b) In the assessments of a manufacturing dealer for the three years ending March 1969, 1970 and 1971, finalised between February 1973 and February 1975, it was noticed (August 1975) that raw materials worth Rs.2,03,810 purchased by the dealer at the concessional rate of tax were diverted for creating capital assets for the business of the dealer. On the unauthorised use of the raw materials, the dealer was liable to a maximum penalty of Rs.23,112; but the levy of penalty was not considered by the assessing officer.

On this being pointed out in audit (August 1975) the department agreed (September 1975) to re-examine the case; details of revision and recovery of the penalty are awaited (May 1982).

The cases were reported to Government in January 1976 and January 1981; replies are awaited (May 1982).

2.12. Incorrect exemption from tax on sale of scrap|plant and machinery

Under the Bengal Finance (Sales Tax) Act, 1941, sales by a dealer in connection with or ancillary or incidental to any trade, commerce, manufacture, adventure or concern are liable to sales tax.

In the course of audit it was noticed (June 1978) that in the assessment of a dealer in Calcutta for the year ending June 1976 made in August 1977, sale of plant and machinery, furniture, motor vehicles and scrap aggregating Rs.8,11,653 was not included in the taxable turnover of the dealer and subjected to tax. This resulted in a total under-assessment of tax of Rs.57,658 including surcharge.

On this being pointed out (June 1978) in audit, the department stated (August 1978) that necessary action would be taken. Further developments are awaited (May 1982).

The matter was reported to Government in December 1978; reply is awaited (May 1982).

2.13. Irregular determination of gross turnover

Under the Bengal Finance (Sales Tax) Act, 1941, sale means any transfer of property in goods for cash or deferred payment or other valuable consideration including transfer of property in goods involved in the execution of a contract.

In the course of audit it was noticed (April 1976) that in three assessments relating to three dealers for the year ending March 1973, assessed between September 1975 and March 1976, sales amounting to Rs.31,63,745 were billed for in the previous year 1971-72. The goods in respect of these bills were, however, actually delivered in subsequent year (1972-73). Accordingly, this amount was deducted from the gross turnover of the previous year (1971-72) for the purpose of that year's assessment. But in the subsequent year (1972-73) when the goods were actually delivered, instead of adding back, these amounts were again deducted to arrive at the gross turnover of that year. This resulted in deduction of double the amount of Rs.31,63,745 from the gross turnover of the year (1972-73) in these cases, leading to an under-assessment of tax of Rs.3,58,769.

This was pointed out in audit in April 1976. The department stated only in June 1981 that the matter was being looked into. Further developments are awaited (May 1982).

The matter was reported to Government in June 1977; reply is awaited (May 1982).

2.14. Incorrect classification of declared goods

Under the Bengal Finance (Sales Tax) Act, 1941, no tax is payable for sales to registered dealers, of certain categories of iron and steel classified as 'declared goods' in the Central Sales Tax Act, 1956. Sales of such declared goods to unregistered dealers are, however, taxable at concessional rates of four per cent (intra-State sale) and eight per cent (inter-State sale) under the State Act and Central Act, respectively, with effect from July 1975: As per Judicial pronouncement (February 1980), conduit pipes being distinct and separate from steel tubes do not fall under the category of declared goods and are to be taxed at rates applicable to general goods.

In the course of audit it was noticed (January 1981) that in the assessment of a dealer for the year 1382 B.S. (1975-76), finalised in March 1980, sales of conduit pipes aggregating Rs.6,33,259 and Rs.37,213 under the State and Central Acts respectively, were either exempted from tax (being sales to registered dealers) or taxed at concessional rates of four per cent and eight per cent treating them as declared goods instead of general goods. This resulted in under-assessment of tax of Rs.11,378 under both the Acts.

On this being pointed out (January 1981) in audit, the department accepted the objections and agreed (February 1981) to take further action in the matter. Further developments are awaited (May 1982).

The matter was reported to Government in September 1981; reply is awaited (May 1982).

2.15. Under-assessment due to application of incorrect rate of tax

(a) Sales of yarn other than hosiery yarn were taxable at the rate of 2 per cent under the Bengal Finance (Sales Tax) Act, 1941 up to 19th April 1974. With effect from 20th April 1974, all non-cotton yarn including non-cotton hosiery yarn were included in the notified commodities under the West Bengal Sales Tax Act, 1954 under which manufacturers and importers of all non-cotton yarn were liable to payment of tax at the rate of 3 per cent.

In the course of audit it was noticed (March 1981) that in two assessments of a manufacturing dealer for the years ending March 1975 and March 1976, sales aggregating Rs.73,21,543 of metallo plastic yarn, being non-cotton yarn, were charged to tax at the rate of 2 per cent under the Bengal Finance (Sales Tax) Act, 1941, instead of at the rate of 3 per cent under the West Bengal Sales Tax Act, 1954. This resulted in under-assessment of tax of Rs.77,114.

On this being pointed out in audit (March 1981), the department agreed (March 1981) to realise the amount undercharged. Further developments are awaited (May 1982).

The matter was reported to Government in June 1981; reply is awaited (May 1982).

(b) Under the Bengal Finance (Sales Tax) Act, 1941, sales of goods referred to in Section 14 of the Central Sales Tax Act, 1956, are taxable at the rate of three per cent up to 30th June 1975 and four per cent thereafter. Other goods which are not generally exempted from tax are taxable at varying rates prescribed in the Act,

In the course of audit it was noticed (July 1979) that in three assessments of a dealer for the years ending June 1973, June 1974 and June 1975, made between January 1977 and September 1978, sale proceeds aggregating Rs.12,21,030 of goods other than goods referred to in Section 14 of the Central Act were taxed at the rate of three per cent instead of at the appropriate higher rates. This resulted in under-assessment of tax of Rs.39,051.

On this being pointed out in audit (July 1979), the department admitted the mistake (September 1979) and revised two assessments in February 1981; details of realisation are awaited (July 1981). Further development in respect of the other assessment is awaited (May 1982).

The matter was reported to Government in November 1979; reply is awaited (May 1982).

2.16. Under-assessment due to incorrect computation of tax

(a) Under the Bengal Finance (Sales Tax) Act, 1941, dealers whose gross annual turnover exceeds rupees five lakhs, surcharge and additional surcharge are leviable with effect from 20th April 1974 at the aggregate rate of 10 per cent on the total amount of sales tax payable by such dealers.

In the course of audit it was noticed (September 1980) that in the assessment (March 1980) of a dealer for the year ending March 1976, the tax leviable on different commodities at the appropriate rates, excluding surcharge and additional surcharge, was correctly worked out. But owing to incorrect computation, surcharge and additional surcharge at the rate of 10 per cent on the tax of Rs.22,30,920 was worked out to Rs.23,092 instead of Rs.2,23,092. This resulted in under-assessment of tax of Rs.2,00,000.

On this being pointed out in audit (September 1980), the department stated (October 1980) that the matter would be referred to the appellate authority as the relevant assessment was under appeal. Further development is awaited (May 1982).

The matter was reported to Government in January 1981; reply is awaited (May 1982).

(b) Under the Bengal Finance (Sales Tax) Act, 1941, sales tax is determined on the basis of gross turnover less certain permissible deductions.

In the course of audit it was noticed (April 1980) that in the assessment of a dealer for the year ending March 1976, Rs.5,697 were deducted from the gross turnover of Rs.15,00,000 towards inter-State sales taxable under the Central Sales Tax Act, 1956. After deduction, the taxable turnover was wrongly computed at Rs.6,98,663 instead of at Rs.14,94,303. This resulted in under-assessment of tax of Rs.49,624.

On this being pointed out in audit (April 1980), the department revised the assessment (April 1980). Report of realisation is awaited (May 1982).

The matter was reported to Government in January 1981; reply is awaited (May 1982).

2.17. Concessions allowed against irregular declarations

Under the Bengal Finance (Sales Tax) Act, 1941 and the Central Sales Tax Act, 1956, sales to registered manufacturer and inter-State sales to registered dealers are taxable at concessional rates of 2 per cent and 4 per cent (with effect from 1st July 1975) subject to production of prescribed declaration forms; otherwise, such sales are taxable at the rates of 6 per cent and 10 per cent, respectively.

(a) In the course of audit it was noticed (May 1979) that in two assessments of a dealer under the State and Central Acts for the year ending Ramnavami 2033 (1975-76), made in January 1979, claims for concessional rates of tax in respect of sales of Rs 3,02,535 (State Act) and Rs.5,30,892 (Central Act) were allowed on the basis of declarations produced by him. But the amounts covered by the declarations actually related to transactions of the preceding year. This resulted in under-assessment of tax aggregating Rs.39,068.

On this being pointed out in audit (May 1979), the department revised the assessments (February 1980) and raised fresh demand aggregating Rs.99,156 after disallowing the claims for concessional rates of tax. Report of realisation is awaited (May 1982).

The matter was reported to Government in July 1980; reply is awaited (May 1982).

(b) In the course of audit it was noticed (May 1979) that in the assessment of a dealer for the year ending March 1975, made in March 1979, claims for exemption from tax in respect of sales of textile and

cotton yarn for Rs.1,48,00,730 were allowed, against the admissible exemption of Rs.1,43,49,818 only as per detailed statement submitted by the dealer. This excess allowance of exemption for Rs.4,50,912 resulted in under-assessment of tax of Rs.28,123.

On this being pointed out (May 1979) in audit, the department agreed (November 1980) to review the assessment. Further development is awaited (May 1982).

The matter was reported to Government in July 1980; reply is awaited (May 1982).

2.18. Allowance of concessional rate of tax without supporting declarations

Under the Bengal Finance (Sales Tax) Act, 1941, sales of registered dealers are exempted from payment of tax or are taxed at concessional rates provided the dealer claiming such concession produces in support thereof declarations in the prescribed forms issued to him by the purchasing dealers.

In the course of audit it was noticed (April 1976) that in the assessment (December 1975) of a dealer for the year ending December 1971, sale at concessional rate of tax was allowed on the basis of test check of statements of sales of the dealer on a portion of the turnover amounting to Rs.2,28,000, although this was not covered by the supporting declaration forms furnished by the purchasing dealers. Consequently, there was short levy of tax of Rs.11,793.

On this being pointed out in audit (April 1976), the department admitted the mistake and collected the additional tax in June, 1979.

The matter was reported to Government in August 1979; reply is awaited (May 1982).

2.19. Short levy of tax due to incorrect exemption

Under the Bengal Finance (Sales Tax) Act, 1941 and rules made thereunder, sales of tea made at auctions held in Calcutta Tea Traders Association to registered dealers were exempt from levy of sales tax up to 31st August 1977.

In the course of audit (January 1976), it was noticed that in an assessment of dealer for the year ended December 1970, the assessing officer had allowed (September 1974) a total sum of Rs.11,69,807 on account of such exempted sales. The reconciliation statement of tea sales during the year ended 31st December 1970 submitted by the

dealer, as available with the case records of the department, revealed that the correct amount to be exempted was Rs.8,06,654 only. Thus, the excess exemption of Rs.3,63,153 resulted in short levy of tax of Rs.20,590.

On this being pointed out (January 1976) in audit, the department stated (August 1976) that review|revision proceedings had been initiated. Further developments are awaited (May 1982).

The matter was reported to Government in January 1976; reply is awaited (May 1982).

2.20. Under-assessment of tax due to excess allowance of concessional rate

Under the Bengal Finance (Sales Tax) Act, 1941 and the rules framed thereunder, a dealer is entitled to the benefit of concessional rate of tax in respect of his sales to registered dealers subject to the production of prescribed forms. Sales not covered by such prescribed forms are not eligible for concession.

In the course of audit it was noticed (February 1981) that in the assessment (March 1980) of a dealer for the period ending Chaitra 1377 B.S. (1970-71) concessional rates of tax at half per cent and one per cent were levied on sales to registered dealers and manufacturers, aggregating Rs.66,78,349 and Rs.7,17,132, respectively, on the basis of statement of declaration forms filed by the dealer in support of his claims. It was, however, noticed in audit that in these statements the amounts were overstated by Rs.2,00,000 and Rs.20,000 respectively, resulting in under-assessment of tax of Rs.11,281.

On this being pointed out in audit (February 1981), the department admitted the mistake and agreed (February 1981) to revise the assessment. Further development is awaited (May 1982).

The matter was reported to Government in June 1981; reply is awaited (May 1982).

CHAPTER III

LAND REVENUE

3.1. Results of test audit in general

During the year 1980-81, test audit of accounts of different Land Reforms circles in West Bengal revealed non-realisation|short-realisation of revenue amounting to Rs.156.45 lakhs. The non-realisation|short realisation is categorised under the following heads :—

Nature of irregularity	Amount (In lakhs of rupees)
Non-realisation of revenue due to non-renewal of lease	15 81
Non-settlement of vested land and khas mahal lands .. .	86 54
Non-realisation of damage fee from unauthorised occupiers of vested lands ..	14.70
Irregular settlement of <i>sairati</i> interest	10.21
Non-realisation of enhanced rent	10.22
Others	18.97
Total ..	156.45

Some important cases are mentioned in paragraphs 3.2 to 3.8.

3.2. Delay in settlement of non-agricultural land

Under the West Bengal Government Estates Manual, 1953, in case of settlement of non-agricultural land on long term lease for the first time, rent should be fixed at 4 per cent of the market value of the land proposed for settlement and *salami* charged at 10 times of the rent. After determining the rent and *salami*, the Collector should advertise the land, inviting applications for settlement and send them to the Board with his recommendation, through the Commissioner. In case of renewal of such a long term lease, rent should be revised on the basis of market value of the land at the time of renewal.

- (i) In the course of audit in a Land Reforms Circle in a district, it was noticed (December 1974) that an area of 602.10 acres of sea beach non-agricultural land was leased out to a salt manufacturing company for a period of ten years from April 1953 to March 1963 on an annual rent of Rs.1,204 without demanding *salami* of Rs.12,040, as required under the Rules. The lease was not renewed on its expiry but the department continued to collect (January 1982) annual rent at the old rate without revising the rent, though required under the rules.

Besides, it was pointed out (December 1974) in audit that another area of sea beach land, measuring 981.38 acres adjacent to the above area had been unauthorisedly occupied by the same company from 1366 B.S. (1959) without payment of any rent and *salami*. The Board of Revenue directed (August 1976) the district authority to submit a proposal through the Commissioner for settlement of land with the salt manufacturing company, fixing annual rent at the rate of Rs.2 per acre from 1366 B.S. (1959-60) to 1382 B.S. (1975-76) and at the rate of Rs.10 per acre from 1383 B.S. (1976-77) along with *salami* as prescribed in the Rules. It was, however, noticed (August 1981) in audit that the Collector had raised (August 1981) a demand of Rs.92,249 towards rent only for the period from 1366 B.S. to 1388 B.S. (1959-60 to 1981-82) without raising demand for *salami* amounting to Rs.19,627. Formal agreement for lease as required under the Rules was also not executed (August 1981).

- (ii) Similarly, another area of sea beach salt bearing land measuring 312.84 acres situated in the same Land Reforms Circle was under unauthorised possession by another salt manufacturing Company from 1365 B.S. (1958-59). The Board of Revenue issued (August 1976) similar directive in the matter of rent and *salami*. The department raised (August 1981) a demand of Rs.39,032 for the period from 1365 B.S. to 1388 B.S. (1958-59 to 1981-82) towards rent only without raising any demand for *salami* and that too without executing any lease agreement.

Particulars of realisation of rent are awaited in both the cases (May 1982).

Owing to delay in taking necessary action for long term settlement of non-agricultural land as required under the Rules, Government revenue to the extent of Rs.1,57,164 (*salami* Rs.25,883 and rent Rs.1,31,281) remained unrealised. Interest amounting to Rs.0.89 lakh at the rate of 6½ per cent per annum otherwise chargeable under the Rules on arrear revenue could not be demanded in these cases due to non-execution of lease agreement.

On this being pointed out (September 1981) in audit, the department stated (September 1981) that no lease agreement had been executed as the long term settlement of the land was under consideration of the Board.

The cases were reported to Government in September 1975 and August 1977; reply is awaited (May 1982).

3.3. Delay in crediting money into Government account

Tahsildars, posted and entrusted with the collection of land revenue at outstations, are required to remit the money collected without undue delay and at such intervals, as may be fixed by the Collector. Under the existing procedure, introduced from December 1955, they are allowed to remit the land revenue collected by them to the district authority through postal money orders also, in which case they are required to send challans in support of such remittances to the Collector to enable the latter to verify the amounts of money orders to be received from the postal authorities at the end of each month on the basis of the challans, separately received from the tahsildars.

In the course of audit in certain circles of Midnapore district it was noticed (November 1980 to February 1981) that land revenue collections aggregating Rs.18,64,834 remitted by different Tahsildars through postal money orders between September 1975 and March 1980 and brought by the postal authorities for acceptance were not received by the district authority and thus remained out of State Government account for periods varying from 1 year to over 6 years. The delay in receiving the money orders by the district authority was stated to be due to the time taken for verification of the amounts with reference to challans and segregation of the amounts according to the various heads of accounts involved, to which the same were to be credited.

The matter was reported to Government in October 1981; reply is awaited (May 1982).

3.4. Non-realisation of rent and salami due to non-execution of lease agreement

Under the West Bengal Government Estates Manual, 1953, read with the West Bengal Land Management Manual, 1977, Government non-agricultural land may be settled on long term basis with the approval of the Board of Revenue on realisation of rent and *salami* as prescribed in these Manuals.

In the course of audit in Murshidabad district, it was noticed (February 1980) that non-agricultural land of 4.72 acres was transferred (August 1971) to a corporation, established by the Central Government, before finalising any lease agreement and fixing rent and *salami* payable for the land on a long term basis. The Board of

Revenue issued sanction subsequently (November 1975) fixing the period of lease as 30 years, annual rent as Rs.19,767 and *salami* as Rs.1,97,670. It was noticed in audit (February 1980) that no lease agreement had been executed (February 1980) and no recoveries had been made either on account of rent of Rs.1,97,670 for 10 years from 1378 B.S. (1971-72) to 1387 B.S. (1980-81) or *salami* of Rs.1,97,670.

Owing to non-execution of lease agreement and -consequential inability to raise demand, interest normally leviable @ 6½ per cent on arrear revenue, could not be claimed.

On this being pointed out (February 1980) in audit the department stated (February 1980) that demand for rent and *salami* would be raised and necessary steps for execution of the lease agreement would be taken.

The matter was reported to the Government (January 1981); reply is awaited (May 1982).

3.5. Non-realisation of revenue due to non-renewal of lease

Under the provisions of the West Bengal Land Management Manual, rent in respect of renewal of long term lease shall be determined at the rate of four per cent of the current market value of the land. The district authority is to take timely action for renewal of lease on its expiry.

(i) In the course of audit in Jalpaiguri district, it was noticed (February 1981) that out of a plot of 12.10 acres of non-agricultural land leased out at an annual rent of Rs.588 to a club registered under the Company's Act, 1888 for 30 years ending on 31st March 1956 (1363 B.S.), 6.52 acres of land were resumed by Government between 1362 B.S. (1955) and 1368 B.S. (1960-61). The club continued to occupy the remaining land without payment of rent from 1955 but the department neither revised the demand for rent nor renewed the lease (February 1981). The department raised (August 1979) a demand for Rs.14,491 at the old rate including interest (Rs.6,784) which remained unrealised (February 1981).

On the basis of market value of the similar type of land in the vicinity, as obtained from the records of local office, the rent realisable from 1363 B.S. to 1387 B.S. (1956 to 1980) on the balance portion of land enjoyed by the club worked out to Rs.25,247. Owing to non-renewal of lease as prescribed in the Rules, the Government also could not refix and realise additional rent of Rs.17,540.

(ii) Similarly, it was noticed (February 1981) in audit that six more cases of long term leases of non-agricultural land in two circles

of the same district expired between April 1959 (1366 B.S.) and April 1970 (1377 B.S.), but no attempt was made for renewal of lease on their expiry as per provision of the Rules. On the basis of market value of the land as furnished by the department, the rent realisable in these cases for the varying periods from April 1959 to March 1980 worked out to Rs.37,674. But the revenue could not be realised for want of renewal of leases in time.

On this being pointed out (February 1981) in audit, the department stated (February 1981) that no renewal proposals had been received from the lessees.

The cases were reported to Government in June 1981; reply is awaited (May 1982).

3.6. Irregularities in the settlement of a fishery

Under the provision of the West Bengal Land Management Manual, in case of failure to settle a fishery with a co-operative society of fishermen or one of the selected fishermen, settlement may be made with any other selected person after following the prescribed tender procedure on the basis of highest tender, on his depositing 25 per cent of the rent for the first year of settlement and the balance before the beginning of the year after executing the necessary lease deed. Rents for the successive years should be deposited by the lessee in full before the beginning of the respective years. The settlement is liable to be cancelled in case of non-compliance with the above conditions.

It was noticed (February 1980) from the records of 24-Parganas South district office that a fishery measuring 60 acres, was settled by the district authority with a private individual during the period from 1379 B.S. (1972-73) to 1383 B.S. (1976-77) at an annual rent of Rs.1,551. The Divisional Commissioner had subsequently commented (July 1977) that the fishery had been settled at a meagre rent in violation of the express provisions in the prescribed rules which resulted in considerable loss of revenue.

As per departmental instructions, action to settle the fishery should have been initiated in October 1976 after expiry of the above period of lease. The proposal for settlement of the fishery for the years 1384 B.S. (1977-78) to 1386 B.S. (1979-80) was initiated in May 1977 and the fishery was settled in May 1977 with a person, being the highest tenderer, for three years from 1384 B.S. to 1386 B.S. at an annual rent of Rs.45,000. The person concerned deposited (April 1977) 25 per cent of annual rent i.e. Rs.11,250. The fishery was handed over (Jaistha 1384 B.S. i.e. May-June 1977) before

recovering the full amount of the balance annual rent and without executing any lease agreement, in contravention of the prescribed Rules. While he enjoyed the possession of the fishery for three years from 1384 B.S. to 1386 B.S., payment of rent made was Rs.41,012 as against total lease rent of Rs.93,987 due for the three years. The department initiated certificate proceedings against the party in December 1979 for realisation of Rs.1,05,383 representing arrear lease rent including interest. The certificate officer stated (November 1980) that the possibility of realisation of any amount was remote as there was no movable and immovable property against the certificate debtor. The Land Reforms Officer of the circle also intimated (October 1979) to the district authority that no drastic steps for realisation of dues could be taken as no agreement was executed with the lessee. Owing to non observance of the rules and delayed action for recovery of the yearly rent for second and third year, Government was unable to realise arrear revenue amounting to Rs.1.05 lakhs.

The matter was reported to Government in October 1980; reply is awaited (May 1982).

3.7. Loss of revenue due to delay in leasing out of a hat

(a) Under the provision of West Bengal Estates Manual, 1953, Government *hats* should be managed either departmentally or through leasing out to an "izaradar" by public auction.

In the course of audit in Jalpaiguri district, it was noticed (February 1981) that a *hat* vested in Government (1360 B.S.) under Estates Acquisition Act, 1953, was taken into possession in September 1972 (1379 B.S.). The *hat* was first leased out to an *izaradar* in 1979 (1386 B.S.) on annual rent of Rs.4,251 after a lapse of 6 years from the date of possession. The *hat* during the intervening period remained in unauthorised occupation of the local people.

Due to delay in settlement, there was loss of revenue of Rs.24,300 calculated on the basis of the lease rent settled subsequently.

On this being pointed out (February 1981) in audit, the department stated (February 1981) that the delay in settlement of *hat* was due to late receipt of order from the higher authority.

The matter was reported to Government in June 1981; reply is awaited (May 1982).

(b) Under the West Bengal Estates Acquisition Act, 1953, two *hats* admeasuring 1.25 acres and 2.40 acres in a district were vested in Government in November 1963 (1370 B.S.) and January 1975 (1382 B.S.), respectively.

In the course of audit it was noticed (January 1979) that the department took possession of the *hats* only in June 1976 (1383 B.S.) and November 1978 (1385 B.S.), respectively and leased them out thereafter. The average annual income of the two *hats*, as furnished by the department, worked out to Rs.4,285 and Rs.10,400 respectively, per year. Owing to delay in taking over possession (for about 13 years and 4 years) of the *hats*, there was loss of revenue to the extent of Rs.97,305 calculated on the basis of figures of annual income furnished by the department.

On this being pointed out (January 1979) in audit the department stated that the delay in taking possession of the *hats* was due to delayed receipt of relevant Government orders which were received only in June 1976 and November 1978.

The matter was reported to Government in April 1980; reply is awaited (May 1982).

3.8. Vested Lands

3.8.1. Introductory

As per the West Bengal Estates Acquisition Act, 1953 (W.B.E.A. Act 1953) applicable to all districts in the State, excluding Calcutta Corporation area, all estates and rights of intermediaries and rights of raiyats and under-raiyats in all districts vested in the State on the 1st Baisakh, 1362 (15th April 1955) in the case of intermediaries and on the 1st Baisakh 1363 (14th April 1956) in the case of raiyats and under-raiyats (in respect of district Purulia and Islampur sub-division in West Dinajpur district, the Act came into effect from 1st April 1964). Intermediaries, raiyats, under-raiyats, companies, co-operatives etc. were however, allowed under the Act to retain land on permanent settlement basis up to a prescribed ceiling as direct tenants of the State.

The vesting of land is effective on publication of necessary notification required by the Act for the purpose. The non-agricultural land so vested can only be settled on short-term or long-term lease basis as per provisions of the Government Estates Manual|West Bengal Land Management Manual. In respect of agricultural land the principles of management and distribution are prescribed under the West Bengal Land Reforms Act, 1955 (W.B.L.R. Act 1955) under which the cultivators became permanent owners of the agricultural land directly under the State up to the ceiling limit prescribed therein and land in excess of the limit vested in the State. If such agricultural land is settled with any other person for a public purpose connected with agriculture, such settlement is made on lease basis only, with the

approval of the Board of Revenue. The Act also fixed the basis of agricultural land revenue. Cultivators of land up to a limit of 3 acres are exempted under the Act from payment of revenue or premium from 1st Baisakh 1371 (1964) but cesses under the Cess Act, and the Bengal (Rural) Primary Education Act, are nevertheless payable by them.

3.8.2. Position of vesting and distribution of agricultural land

Under the land management procedure obtaining in the State, the Director of Land Records and Surveys is required to prepare a statement from time to time in respect of lands to be vested in Government and to furnish the same to the Collector of the district as well as to the Board of Revenue for taking necessary action towards their vesting, possession and distribution, under the provision of the Acts and the Rules. As per the above statement in respect of December 1980, a total area of 26.10 lakh acres was vested in the State up to December 1980 under the W.B.E.A. Act, 1953, out of which 19.11 lakh acres were vested during the period up to July 1967, 6.15 lakh acres during August 1967 to July 1977 and 0.84 lakh acres during August 1977 to December 1980. Besides, 1.47 lakh acres were vested under the W.B.L.R. Act, 1955. The break-up of land so vested was as under :—

Nature of land	Area vested in the State under		
	W.B.E.A. Act, 1953	W.B.L.R. Act, 1955	Total
(In lakhs of acres)			
Agricultural land	10.17	1.47	11.64
Non-agricultural land	5.71	..	5.71
Forests land	9.98	..	9.98
Others	0.24	..	0.24
Total	26.10	1.47	27.57

As per the Statistical Report V of Land Reforms in West Bengal, published (March 1981) by the Government of West Bengal, however, the total area of different types of lands measuring 28.03 lakh acres (W.B.E.A. Act, 1953, 26.55 lakh acres and W.B.L.R. Act 1955, 1.48 lakh acres) was vested in Government up to 31st December 1980. The reasons for the discrepancy of 0.46 lakh acres of land are awaited (May 1982).

3.8.3. Distribution of vested agricultural land

The position of distribution of vested agricultural land for the period up to the 31st December 1980 as seen from the Statistical Report V of Land Reforms in West Bengal was as follows :—

Total area vested	Area covered by Court cases	Area available for distribution	Area distributed	Balance area available	Percentage of distribution of available land
(In lakhs of acres)					
12.12	1.70	10.33	6.73	3.60	65.1

Thus 65.1 per cent of the agricultural land already vested had been distributed among landless agriculturists up to 31st December 1980. The delay in the distribution of the remaining land would cause annual loss of revenue towards public works cess, road cess and education cess on this area of undistributed vested land, amounting to Rs.5.86 lakhs on the basis of average rate of rent on land of the State i.e., Rs.4.40 per acre.

3.8.4. Delay in settlement

Mention was made in paragraphs 55 and 3.3 of the Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1975-76 and 1976-77 respectively, about delay in settlement of non-agricultural land and resultant non-demand of revenue aggregating Rs.2.68 lakhs.

Some more instances of delay in settlement of vested non-agricultural land, non-assessment of rent and non-realisation of outstanding rent and *salami* noticed in the course of audit (January 1978 and August 1981) of different land reforms circle offices of some other districts are mentioned below :—

- (a) Under the provisions of the Government Estates Manual, 1953, Government non-agricultural land may be settled on long term basis with the approval of the Board of Revenue on realisation of rent and *salami* as prescribed in the Manual i.e., 4 per cent of the market value of the land as rent and ten times rent as *salami*.

An area of 485.33 acres of surplus land of tea gardens vested to the State under the West Bengal Estates Acquisition Act, 1953, was proposed (February 1976) by the district authority to be settled on long term basis with a State government undertaking for commercial cultivation of medicinal and aromatic plants at an annual rent of Rs. 58,240 and *salami* of Rs. 5,82,396. The sanction of the Board of Revenue to the proposal for settlement of

the land is awaited (March 1981). The undertaking was, however, allowed possession of the land on 17th January 1976 before settling the terms and conditions of lease. Owing to delay in settlement and consequential delay in execution of lease agreement, rent amounting to Rs.2.81 lakhs for the period from 17th January 1976 to March 1980 and *salami* amounting to Rs.5.82 lakhs remained unrealised (March 1981).

- (b) Similarly, in another case, surplus land of a tea garden measuring 4.80 acres, vested in the State under the West Bengal Estates Acquisition Act, 1953, was handed over to the West Bengal State Electricity Board on the 28th November 1969 without executing any lease-agreement. After a lapse of nine years, the Collector forwarded (October 1978) a proposal for sanction of the Board of Revenue to the long term settlement of the land with the State Electricity Board, which is awaited (March 1981). Due to delay in the sanction, rent amounting to Rs.17,952 from 28th November 1969 to March 1980 as normally leviable and *salami* of Rs.16,320 remained unrealised (March 1981).
- (c) In a Land Reforms Circle in Cooch Behar district, it was noticed (March 1981) that town land measuring one acre along with a cinema house thereon in Cooch Behar town belonging to an intermediary had been vested in Government in 1969, effective from 1362 B.S. (1955-56) under the West Bengal Estates Acquisition Act, 1953. Before taking possession of the land by the department, the intermediary obtained (Date not available) a Civil Rule against the vesting order. The Rule was vacated in February 1975 in favour of the Government. During the pendency of the Civil Rule, the ex-intermediary leased out the land along with the cinema house to a private party for five years from 1st November 1969 to 31st October 1974. After vacation of the Civil Rule, again the ex-intermediary, without title, entered (April 1976) into lease agreement on long term basis (for 99 years) with the same private party. Without inviting any applications for settlement of land through advertisement as required under the Rules, the department extended (1979) an offer for settling the land to both the ex-intermediary and the above private party to which the latter expressed willingness. The settlement of land has not been finalised (March 1981) and the private party continues to hold the same unauthorisedly. The department stated (March

1981) that annual rent and salami on the basis of 1977-79 market price were Rs.7,632 and Rs.76,320 respectively and these were being re-assessed as per recent sale deeds. Owing to delay in settlement of land, Government revenue amounting to Rs.1,22,112 (Rent Rs.45,792 and salami, Rs.76,320) calculated on the basis of 1977-79 price for the period from February 1975 to March 1981 remained unrealised.

The matter was reported to Government in October 1981 ; reply is awaited.

- (d) In January 1970, the Board of Revenue had issued instructions to settle the non-agricultural lands on realisation of rent and *salami* with the persons who had purchased from the ex-intermediaries without knowing that the land was vested. Agricultural land (1558 Kottahs) and non-agricultural land (375 Kottahs) in one circle in a district were vested in Government as per notification issued in the year 1968 under the provisions of the West Bengal Estates Acquisition Act, 1953. Before possession of the land was taken, the ex-intermediary obtained an interim order in August 1969 against the vesting order of the Government which was, however, vacated in March 1973 in favour of Government. Before issue of the vesting order in 1968 the ex-intermediary had already sold out the land (between 1959 and 1960) after converting agricultural land into non-agricultural land and also by making layout plots to different persons who constructed permanent structures on the land. It was noticed in audit (August 1981) that settlement of the land had not been made with the actual occupiers in accordance with the instructions issued (1970) by the Board, and therefore, demands for the amounts due from them towards rent and *salami* were yet to be raised.

On the basis of market value of the land, as ascertained from the registration office with reference to the sale deeds of similar plots of land in the neighbourhood during the year 1959, annual rent of the land realisable worked out to Rs.70,567. The total demand on account of rent for the period from 1960-81 amounted to Rs.15,52,474 besides salami of Rs.7,05,670 as per provisions of the West Bengal Government Estate Manual, 1953. Due to non-raising of demand, interest at 6½ per cent on the arrears (as provided in the Manual) working out to Rs.19.49 lakhs up to March 1981, could not be claimed.

On this being pointed out in audit, the department stated (August 1981) that attempts were made to settle the land on long term basis with the plot holders but without success.

Further developments are awaited (May 1982).

- (e) Similarly, the Board's instructions of January 1970 enjoined that in respect of agricultural land purchased from ex-intermediary without knowing that it had been vested in the State, the same should be settled with persons who had purchased such land from the ex-intermediaries, fixing the annual rent at one and half times the current *Mauza* rent. Under the West Bengal Non-Agricultural Tenancy Act, 1949, rent at double the normal rate is recoverable, whenever any agricultural land is converted into non-agricultural land.

In Murshidabad district, 269.67 acres of agricultural land were vested in Government in 1362 B.S. under vesting order issued in 1968. The ex-intermediary obtained (Date not available) an interim injunction against the vesting order which was vacated (October 1977) in favour of Government. Before the department took charge of the land on 2nd November 1977 on vacation of injunction, it was reported that the ex-intermediary had already sold out the entire land. Out of the said vested land, 16.58 acres had been converted by the purchasers into non-agricultural land. It was noticed (November 1981) in audit that settlement of the above land and fixation of revised rent, as required, had not been finalised both in respect of 253.09 acres of agricultural land and 16.58 acres of converted non-agricultural land. Rent and cesses realisable on such lands during the period from 1362 B.S. to 1388 B.S. amounted to Rs.89,027 approximately.

On this being pointed out in audit, the department stated (November 1981) that the entire matter was under scrutiny.

3.8.5. Non-realisation of outstanding revenues

Under the provisions of the rules, *salami* fixed for settlement of non-agricultural land on long term basis is realisable before execution of the lease agreement. Rent payable on such leased out land shall be payable yearly according to the Bengali year and shall fall due on the last day of the Bengali year in respect of which it is paid. In 24-Parganas district, 45.71 acres of non-agricultural land were settled on long term basis with a housing society for 30 years with effect from

27th April 1973 at an annual rent of Rs.21,128 and *salami* of Rs.2,11,280 in lump. The agreement executed on 14th May 1973 for the long term lease, revealed that Government allowed the society to take possession of the land on payment of first year's rent and initial payments of Rs.30,000 towards *salami* together with a bank guarantee of Rs.2.5 lakhs for securing payment of the balance amount of *salami* by the society to the Government in four equal half-yearly instalments, spread over two years from the date of delivery of the possession of land. The possession was accordingly given to the society on 27th April 1973 on furnishing a bank guarantee dated 10th August 1972 of a nationalised bank and on payment of initial instalment of Rs.30,000 towards *salami*. The first year's rent was, however, paid only in April 1974. The bank guarantee which was valid for 2 years from the date of delivery of the land enjoins that should the bank receive no claim on or before the expiry of two months from the date of expiry of the guarantee, the liability of the bank will cease and become null and void automatically. It was, however, noticed (August 1981) in audit that after the initial payment of the 1st instalment no further amount was paid by the society towards *salami* and the department did not claim any payment from the bank as per provisions of the bank guarantee.

The *salami* of Rs.1,81,280 could not therefore be realised (August 1981). The annual rent beyond the 1st year of lease together with the interest at 6½ per cent amounting to Rs.36,981 realisable as per terms of the agreement, also remained unrealised (August 1981).

When this was pointed out (August 1981) in audit, the department stated (August 1981) that for want of specific orders from higher authority (to whom the matter was referred on the 18th December 1978), no action could be taken for realisation of the amount from the society.

In another case, it was noticed (January 1980) in audit from the records of a Land Reforms Circle in Murshidabad district that an area of 3.73 acres, out of 6.09 acres of land vested in the State and taken possession by the department on 27th February 1971, was under the possession of a private company which purchased the land in November 1963 from an ex-intermediary. The company obtained (October 1972) interim order from the High Court, Calcutta, against the vesting order which was vacated (July 1977) in favour of the Government. After a lapse of more than 2 years from the vacation of the interim order, the department assessed (September 1979) damage fee of Rs.2,33,067 for unauthorised use and occupation of the land between 1964 and 1979 and royalty of Rs.1,070 for manufacture of bricks. The demand notice was issued (February 1980) but the same could not be served as the company was not traceable. Owing to

delay in taking action by the department, the sum of Rs.2,34,137 representing damage fee and royalty remained unrealised (November 1981).

3.8.6. Outstanding damage fee

Mention was made in paragraphs 22, 45 and 57 of the Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1972-73, 1974-75 and 1975-76 respectively, on non-realisation of damage fees for unauthorised use and occupation of land vested in Government in fifteen districts. The Public Accounts Committee in their report for 1976-77 Part III (April 1977) had directed the department to submit a report about the number of cases as also total amount of damage fee realisable and realised up to the 31st March 1978.

The districtwise (other than Calcutta) figures of realisation of damage fee between March 1980 and May 1981 as furnished by the department and the amount realisable thereagainst, together with the percentage of realisation are shown below :—

District	Damage fee realisable as per Audit Report	Damage fee recovered by the department	Percentage of realisation
	(In lakhs of rupees)		
Jalpaiguri	80.91	1.70	4
Malda	12.22	8.00	24
Birbhum	14.78	1.90	13
Purulia	15.23	0.12	1
Burdwan	44.88	1.18	2
Nadia	3.72	1.03	24
Midnapore	86.03	1.89	2
Darjeeling	0.81	0.19	20
24-Parganas	6.60	0.93	14
Murshidabad	34.07	0.80	2
Howrah	1.88	0.05	2
Cooch Behar	15.61	0.29	2
West Dinajpore	34.06	0.67	2
Hooghly	12.15	0.41	3
Total ..	362.95	14.16	

The position shown above indicates that realisation of damage fee was very low.

3.8.7. Unauthorised occupation of vested non-agricultural land

Under the existing rules, non-agricultural land vested in the State may be settled on long term lease agreement on realisation of rent and *salami*. The instructions issued (April 1968) by the Board of Revenue require that settlement of vested land in municipal area or other urban area or in villages where the price of land is high due to urban proximity, should not be settled with any person without realisation of rent and *salami*. Some instances where these instructions await implementation, as noticed in audit, are stated below.

In Jhargram Land Reforms Circle in Midnapore district, it was noticed (August 1981) that 8.78 acres of non-agricultural land in a municipal area already vested in the State were under unauthorised occupation of 52 persons who had constructed houses thereon and prayed for settlement of the land with them free of rent, as stated (August 1981) by the Land Reforms Circle Officer. The department, however, stated (September 1981) that negotiations were going on for settlement of the land on long term basis with the occupiers who had been holding them for the last 10|12 years.

Rent, on settlement of the land, is realisable at the rate of Rs.5,514 per annum being 4 per cent of the value of similar land in the locality prevailing in 1970-71 as obtained from local registration office, besides *salami* of Rs.55,140.

In Basirhat Land Reforms Circle in 24-Parganas, it was noticed that in respect of 13.59 acres of railway relinquished non-agricultural land in urban proximity which had already been under unauthorised occupation of 215 persons for residential and business purposes prior to the department's taking over the land on 7th December 1976, no attempt was made for settlement with those persons on long term basis for realisation of rent and *salami*. On settlement, annual rent from 7th December 1976 would have become realisable at Rs.97,848 with *salami* working out to Rs.9,78,480, based on the prevailing market value of similar land in 1976, as furnished by the department. In reply to audit, the department stated (June 1981) that action was being taken to settle the land on lease basis.

As per provision of the West Bengal Estates Acquisition Act, 1953, damage fee for unauthorised use and occupation of vested land by ex-intermediary or any other person was realisable at the rate of Rs.10 per acre per annum up to 29th June 1975 and at the maximum rate of 25 per cent of the value of the produce of the land thereafter. While under the West Bengal Land Reforms Act, 1955, such damage fee was realisable at the rate of 25 per cent of the gross produce of the land from 15th February 1971.

In the course of audit of two land reform circles in a district, it was noticed (between November 1979 and February 1980) that a total area aggregating 2002.97 acres of agricultural land (1985.11 acres under the W.B.E.A. Act, 1953 and 17.86 acres under the W.B.L.R. Act, 1955) which was vested in the State, had already been under unauthorised occupation which still continues (November 1981).

It was noticed (November 1981) in audit that no damage fee for unauthorised use and occupation of the land had been assessed and realised (November 1981).

The damage fee realisable on 1985.11 acres of land worked out to Rs.3.97 lakhs approximately up to June 1975 calculated at the rate of Rs.10 per acre. In the absence of detailed information as to the quantity of yield and the value thereof, the damage fee realisable beyond June 1975 in respect of 1985.11 acres and in respect of 17.86 acres from 15th February 1971 could not be worked out by Audit.

On this being pointed out (November 1981) in audit, the department agreed to take necessary action. Further developments are awaited (May 1982).

3.8.8. To sum up, the review brought out the following irregularities in the cases test checked :—

- (1) Delay in distribution of agricultural land already vested in Government had resulted in loss of revenue of Rs.5.86 lakhs annually, by way of various cesses leviable on the land holders.
- (2) Delay in settlement of non-agricultural land and consequential delay in execution of lease agreements resulted in non-realisation of rent of Rs.19.86 lakhs and *salami* of Rs.13.80 lakhs.
- (3) Delay in settlement of unauthorised occupation of vested non-agricultural land in municipal area or in urban proximity resulted in non-realisation of annual rent of Rs.1.03 lakhs and *salami* of Rs.10.34 lakhs besides damage fee of Rs.3.97 lakhs.

The points mentioned in the foregoing paragraphs were reported to Government between October 1978 and December 1981; reply is awaited (May 1982).

CHAPTER IV
STATE EXCISE

4.1. Results of test audit

Test check of records relating to State Excise during the year 1980-81 revealed short collection of Excise Duty to the extent of Rs.573.11 lakhs. The short recoveries are broadly classified into the following categories :—

				(In lakhs of rupees)
1. Non-levy/short levy of Excise duty/fee	..	..		4.35
2. Non-levy of duty on chargeable wastage of spirit	..	..		22.93
3. Loss of Revenue due to low yield of spirit from molasses	..	..		444.06
4. Loss of Revenue due to short receipt/storage loss of molasses				101.36
5. Others	..	..	..	0.41
Total				573.11

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

4.2. Short levy of duty due to application of incorrect rate

Under the State Excise Rules, the duty leviable on India made rum issued from a distillery or warehouse to a military regiment, military unit or military canteen for consumption of troops other than commissioned officers, was enhanced from Rs.5 to Rs.25 per London proof litre with effect from 25th August 1979.

(a) In the course of audit in Jalpaiguri district, it was noticed (February 1979) that a permit was issued on 25th August 1977 to an officer commanding, supply depot, Hansimara, for importing 7499.8 London proof litres of India made rum from a distillery in Uttar Pradesh.

The duty leviable on the said liquor worked out to Rs.1,87,495. But the department realised Rs.37,499 assessing the liquor at the old rate of Rs.5 per London proof litre. This resulted in short levy of duty of Rs.1,49,996.

On this being pointed out in audit, the department admitted (February 1979) the mistake and realised from the party (July 1980) the duty short levied.

The matter was reported to Government in March 1981; reply is awaited (May 1982).

(b) Under the Excise Rules, duty leviable on India made rum issued from a distillery or warehouse to the members of Border Security Force, other than officers, up to the limit of 750 ml. per head per month, was enhanced from Rs.5 to Rs.25 with effect from 25th August 1977. Any quantity issued in excess of the prescribed limit will attract duty at the normal rates of Rs.30 up to 24th August 1977 and Rs.35 thereafter.

In the course of audit of records in (Murshidabad) district, it was noticed (May 1978) that 2,297.8 London proof litres of India made rum were issued in excess of the prescribed limits during the period between June 1976 and March 1978 to the members of the Border Security Force, charging duty at the concessional rates. This resulted in short levy of duty to the extent of Rs.53,015.

On this being pointed out in audit (May 1978), the department stated (May 1981) that demand notice had been issued to the party. Particulars of realisation are awaited (May 1982).

The matter was reported to Government in January 1979; reply is awaited (May 1982).

4.3. Wastage in excess of ceiling limit

Under the Excise Rules of the State, the allowable percentage of wastage for bottling operation is 2 per cent. For any loss in bottling operation in excess of the aforesaid limit, duty is leviable at prescribed rates.

In the course of audit of the accounts in Calcutta district, a case of wastage of spirit in bottling in excess of the permissible limit in a bonded warehouse was noticed (October 1976). The warehouse handled 18494.2 London proof litres of spirit for bottling operation during 1975-76. The actual shortage was 1694.40 London proof litres against permissible limit of 369.90 London proof litres but no duty was levied on the excess wastage of 1324.50 London proof litres. This resulted in loss of duty of Rs.39,735.

On this being pointed out (October 1976) in audit, the department stated (May 1981) that demand for duty in respect of excess wastage was raised (May 1981) against the bond holder. Out of the total demand, Rs.5,000 were realised in July 1981. Particulars of realisation in respect of the residual demand are awaited (May 1982).

The matter was reported to Government in March 1977; reply is awaited (May 1982).

4.4. Loss of molasses in transit and storage

Molasses for production of spirit are imported from other States on the basis of permits issued by the Commissioner of Excise, West Bengal, who is *ex officio* Controller of Molasses, West Bengal, under the provision of the Molasses Control Act, 1973. There is no provision in the departmental Manual or in the Molasses Control Act, 1973 laying down any admissible limit for losses of molasses in transit or otherwise. The Public Accounts Committee in their report 1976-77 (Part II) had recommended in December 1976 that the department should lay down a statutory percentage of allowable loss in transit of molasses and arrive at a suitable decision without any further loss of time. But the percentage of allowable loss in transit has not been fixed (January 1982).

In the course of audit it was noticed (June 1980) from the monthly statements submitted by a distillery that during 1979-80, 2906.492 metric tonnes of molasses were actually received by the distillery as against 2992.380 metric tonnes imported as per Railway Receipts, the quantity short received being 85.888 metric tonnes. A further loss of 279.713 metric tonnes on account of godown and handling wastage was also shown in the statement of loss by the distiller. Normal yield of spirit from 365.601 metric tonnes of molasses is 1,36,551.9 London proof litres on the basis of all India norms of average yield of spirit, i.e. 573.5 proof litres per tonne of molasses as prescribed by the Central Molasses Board, and excise duty involved thereon is Rs.47.79 lakhs.

On this being pointed out in audit (June 1980) the department stated (June 1980) that such loss was unavoidable. Even after lapse of 5 years from the issue of direction by the Public Accounts Committee in December 1976, a norm of admissible loss of molasses in transit or otherwise has not been fixed by the Government.

The matter was forwarded to Government (September 1981); reply is awaited (May 1982).

4.5. Loss of Revenue on excess wastage

Under the Bengal Excise Compilation, the wastage allowance of spirit is 1.5 per cent. for blending and 2 per cent. for bottling operations. The limits have to be applied separately to the two operations and there is no provision in the Rules for allowance of wastage on account of both the operations taken together. Any wastage in excess of the aforesaid norms is chargeable to duty at the prescribed rate.

In the course of audit of one distillery in Hooghly district, it was noticed (July 1980) that in the blending of 14,45,817 London proof

litres (L.P.L.) of spirit during 1979-80 the actual wastage came to 41,597 London proof litres as against the permissible limit of 21,688 London proof litres causing thereby, a chargeable wastage of 19,909 London proof litres. Subsequently, in the bottling of 13,00,412 London proof litres of blended spirit, out of the above quantity, there was actual shortage of 7,600 London proof litres only which was, however, within the permissible limit of 26,008 London proof litres.

It was seen from the stock verification report for the said year that the excise authority had calculated the permissible limit of wastage at a flat rate of 3.5 per cent on the total quantity of spirit involved in both the operations of blending and bottling instead of calculating the wastage separately, in respect of each operation.

This irregular method of calculation of permissible limit of wastage amounted to unauthorised concession and resulted in non-levy of excise duty of Rs.6.96 lakhs on the element of chargeable wastage of 19,909 London proof litres of spirit, involved in the blending operation.

The matter was reported to Government in September 1981; reply is awaited (May 1982).

4.6. Non-assessment of duty on wastage of bottled country spirit in store and in transit

Under the Excise Rules, no wastage in transit or in storage of country spirit, sold in sealed and capsuled bottles, was allowable up to 9th December 1979, unless remitted by Government on good cause being shown thereto. From 10th December 1979, Government prescribed the maximum admissible limit of wastage in transit of bottled country spirit at varying rates depending on the distance carried and also of wastage in storage.

(a) In the course of audit in two warehouses of 24-Parganas (North) district, it was noticed (April 1980) that during the year 1979-80 there was wastage, both in storage and transit, of sealed and capsuled bottles of country spirit the quantity of which from 1st April 1979 to 9th December 1979 together numbered 16,823 bottles and from 10th December to 31st March 1980 numbered 7,730 bottles on which duty at the prescribed rates amounting to Rs.98,452 was leviable, after allowing the admissible wastage. No duty was, however, levied.

On this being pointed out in audit (April 1980), the department agreed to take action (April 1980). Further developments are awaited (May 1982).

The matter was reported to Government in July 1981; reply is awaited (May 1982).

(b) In the course of audit of records in a warehouse in 24-Parganas (South) district it was noticed (between June 1979 and April 1980) that during the period from 1976-77 to 1979-80, inadmissible wastage of 6,882.65 bulk litres of country spirit was allowed on which duty at the prescribed rate amounting to Rs.41,801 was leviable. No duty was, however, levied nor any reason for such wastage had been ascertained by the authorities.

On this being pointed out (between June 1979 and April 1980) in audit the department stated (August 1980) that steps would be taken for realisation of chargeable duties.

The matter was reported to Government between June 1979 and September 1981; reply is awaited (May 1982).

4.7. Working of the Medicinal and Toilet Preparations (Excise Duties) Act, 1955

4.7.1. Introductory

The Medicinal and Toilet Preparations (Excise Duties) Act, 1955, is a Central Act which provides for the levy and collection of duties of excise on medicinal and toilet preparations containing alcohol, opium, Indian hemp or other narcotic drugs or narcotics. The duty is collected and appropriated by the State Government under the provisions of the Constitution of India. The rates of duty under the Act on alcohol and narcotics when they are used as an ingredient of any medicine and toilet preparation are specified in the schedule to the Act and these are much lower than the ordinary rates prescribed under the Bengal Excise Act, 1909.

Under the Act, bonded manufacturers of preparations containing alcohol are supplied with alcohol for use as an ingredient of such dutiable preparations without pre-payment of duty leviable under the law in force. Non-bonded manufacturers, however, are required to make pre-payment of duty and obtain rebate of duty so paid in excess of the duty payable under the Medicinal and Toilet Preparations Act, by submission of an application made to the Government in this behalf later.

Procedure for issue of licences and issue of alcohol etc., for manufacture of medicinal preparations by pharmacies is prescribed in the Medicinal and Toilet Preparations (Excise Duties) Rules, 1956, framed by the Central Government. Rectified spirit required for the preparations is obtained by the pharmacies from any distillery or warehouse of the State in which the pharmacies are situated on the strength of permits issued by the Excise Commissioner of the State or from sources outside the State with the permission of the Excise Commissioner.

4.7.2. Trend of revenue

The revenue receipts under the Act as per the Finance Accounts of the State during the last five years and the figures of revenue receipts as furnished by the department for the same period are given below :

Year				Revenue receipt as per Finance Accounts of the State	Revenue receipt as furnished by the department
(In lakhs of rupees)					
1976-77	..	..	..	372	450
1977-78	..	..	..	213	445
1978-79	..	..	..	336	495
1979-80	..	..	..	351	550
1980-81	..	..	-	369	(Not available)

The wide difference between the two sets of figures could not be reconciled by the department. The matter was reported to the Government in December 1980. The Government stated (September 1981) that the figures furnished by the Excise Directorate were based on figures compiled from challans received from the treasuries and the State Bank of India and steps were being taken to reconcile the discrepancies. Further developments are awaited (May 1982).

4.7.3. Loss of spirit in manufacturing process

There are 39 bonded manufactories in the State. Certain irregularities noticed in the course of audit of the accounts of twelve of them for the years 1978-79 to 1980-81 are mentioned in the following paragraphs.

Under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 and the rules framed thereunder, excise duty is levied with reference to the spirit content of the final product. Rule 38 empowers the State Government to fix the percentages of wastage of rectified spirit in the production of particular medicinal and toilet preparations. The State Government has not so far fixed any such percentages of wastage in manufacture. While drawing alcohol without pre-payment of duty against indent in the prescribed form, the manufacturers undertake to pay duty on all wastages in excess of the prescribed transit wastage which may be allowed by the Commissioner under Rule 19.

It was noticed (between April 1980 and September 1981) that the bonded laboratories using rectified spirit in their preparations had been showing varying quantity of rectified spirit as wastage in the

course of production of medicinal and toilet preparations. Particulars of such wastages in some of the bonded laboratories are shown in Appendix VIII. The percentage of wastage of spirit in the manufacture of medicinal preparations in the two allopathic laboratories varied from 6.4 to 12.5 per cent while in four homoeopathic laboratories it varied from 12.7 to 33.7 per cent. Even, under the same laboratory, the percentage of wastage of spirit varied widely from year to year during the period of five years. No excise duty was recovered in respect of any part of these wastages from the bonders in these and similar cases. The amount of duty involved in respect of the total wastage of 1,18,536 London proof litres in the cases mentioned in Appendix VIII worked out to Rs.41,48,760 on the basis of duty at the rate of Rs.35 per London proof litre.

On this being pointed out, the department agreed (January 1982) to take necessary action to fix upper limits of wastages of spirit in the manufacture of different kinds of medicines and to examine the leviability of duty on the spirit wasted in manufacture at the highest rate prescribed under the Bengal Excise Act.

4.7.4. Under the Medicinal and Toilet Preparations (Excise Duty) Rules, 1956, rectified spirit shall not be issued for any purpose other than the manufacture of medicinal and toilet preparations in a laboratory under excise supervision and the quantity of rectified spirit to be issued against requisition by the manufacturer should only be such as is in conformity with the formula prescribed in the relevant pharmacopoeia or formulae of the patent or proprietary medicine displayed on the label of the container.

According to Indian Pharmacopoeia, 1,000 millilitres i.e. 1 bulk litre of mother tincture of 'Alfalfa', a medicinal preparation prescribed in the pharmacopoeia, can be obtained by using 333 grams (containing solid 100 grams and moisture approximately 233 millilitres) of drug materials, 680 millilitres of strong alcohol (95%) and 87 millilitres of distilled water. In other words 680 millilitres of strong alcohol are used as one of the ingredients for preparation of 1 bulk litre of 'Alfalfa' mother tincture.

Test check of the records of four bonded homoeopathic laboratories mentioned in paragraph 4.7.3 above in respect of the above medicinal preparation revealed that the percentage of wastage varied widely from manufactory to manufactory and again within the same manufactory from year to year as shown in Part B of Appendix VIII.

It was also revealed that a total quantity of 7,693 bulk litres of rectified spirit was issued to them during the period of 3 years from

1979-80 to 1980-81 for preparation of 'Alfalfa' mother tincture in 98 batches from which 8,896 bulk litres of 'Alfalfa' mother tincture were shown to have been produced. According to the formula prescribed in the Indian Pharmacopoeia, 6,118 bulk litres of rectified spirit are required to produce 8,896 bulk litres of 'Alfalfa' mother tincture. Thus, for the excess issue of 1,575 (i.e. 7,693—6,118) bulk litres of rectified spirit which was shown as manufacturing wastage by the above four manufacturers, no duty was levied by the department the amount of which worked out to Rs.90,370 calculated at the rate of Rs.35 per London proof litre (included in the total amount of Rs.41,48,760 mentioned in para 4.7.3 above).

On this being pointed out (September 1980) in audit, the department stated (January 1982) that steps would be taken to work out the proportion which the quantity of spirit allowed to a manufacturer of homoeopathic "Mother tincture" should bear to the quantity of spirit appearing in the finished product in order to enable the bond officers to maintain a regulated supply of spirit to the manufacturers and that the matter of leviability of excise duty at the highest rate under the Bengal Excise Act would be examined.

The above was indicative of absence of control over the issue of rectified spirit for the manufacture of these Homoeopathic preparations.

4.7.5. Delay in receipt of the chemical examiner's reports

Under the rules, the Excise Officer-in-charge of a bond is required to take two samples from each batch of finished preparations for ascertaining the actual alcohol content of the preparation in order to levy duty thereon. One of the samples is to be sent to the Chemical Examiner for analysis and report and the duplicate is to be kept under excise custody which shall be returned to the finished store immediately on receipt of the report of the Chemical Examiner, for which, however, no time limit is fixed under the Act. If on chemical examination, alcohol content is found to be in excess of 2 proof degrees of alcohol, over the strength declared by the manufacturer, he is required to pay duty for such excess quantity issued. If the variation in strength is more than 3 proof degrees over the permissible limit, the issue of medicinal preparation from the bonded manufactory is to be withheld. The Act does not, however, provide for levy of any penalty in such cases to compensate the loss of duty.

In the course of audit it was noticed (May 1980—September 1981) that the reports of Chemical Examiner on the samples in respect of 2,783 batches of preparations of ten laboratories were not received (September 1981) at the bonded manufactories. Out of 2,783 batches, 379 batches related to the preparations of "Mritasanjibani

sura" having self generated alcohol in Ayurvedic laboratories, manufacture of some of which was completed as early as 1960-61. An yearwise analysis of the outstanding samples is given below :

Year of manufacture	Number of outstanding samples	
1960-61	..	2
1961-62	..	3
1962-63	..	17
1963-64	..	3
1966-67	..	11
1967-68
1968-69	..	33
1970-71
1971-72	..	19
1972-73	..	20
1973-74	..	11
1974-75	..	16
1975-76	..	18
1976-77	..	87
1977-78	..	84
1978-79	..	322
1979-80	..	1,029
1980-81	..	1,108
		<hr/>
		2,783
		<hr/>

In the absence of reports from the Chemical Examiner in all cases, the quantum of actual variation from the permissible strength and additional duty recoverable thereon could not be verified in audit. It was, however, noticed (August-September 1981) that according to the reports of the Chemical Examiner, where received, the alcohol strength of a number of preparations manufactured by the manufactories was not in conformity with the declaration made by the manufacturers and not also within the admissible allowance of 3 proof degrees. But in all such cases the substandard preparations were issued from the manufactories on the basis of the strength declared by the licensees before receipt of the reports from the Chemical Examiner, although under rules, issue of such preparations from the manufactories was liable to be withheld. The department admitted (September 1981) the delay in receipt of the reports from the Chemical Examiner and stated that a decision had been taken to set up a full-fledged chemical laboratory under the department to solve the problem.

4.7.6. Irregular exemption from duty

(a) Homoeopathic laboratories

(i) *Issue of rectified spirit for homoeopathic liquid preparation within bond.*—As per the rules in the case of medicinal preparations manufactured from concentrated tinctures, the exact quantity of spirit to be added to them shall be calculated after ascertaining the proof spirit content of the concentrated tinctures by analysis by the Chemical Examiner. For this purpose, two samples of not less than 142 ml. each shall be taken from each batch of concentrated tincture, one of which shall be sent to the Chemical Examiner for ascertaining the proof spirit content. Subsequently, a sample of the finished product shall also be similarly sent to the Chemical Examiner for analysis. “Back potency” is a type of concentrated tincture which is added in a very small quantity to rectified spirit to obtain liquid homoeopathic preparation of the required type.

In the course of audit it was noticed (June 1980—September 1981) that in two homoeopathic laboratories, 1,24,147 London proof litres of rectified spirit, obtained under bond, were issued from time to time during 1978-79 to 1980-81 for preparation of homoeopathic dilutions by adding “Back potency” with the rectified spirit. It was, however, noticed that samples of “Back potency” added to the rectified spirit or the finished medicine were not taken and sent to the Chemical Examiner for ascertaining the proof spirit content thereof. The quantities of rectified spirit required for adding with “Back potency” also were not worked out by the bond officers as required under the rules. On the other hand, rectified spirit was issued to the licensees in such quantities as requisitioned by them. No account indicating source and quantity of receipt and consumption of “Back potency” was also maintained. Even individual quantity of the final products (viz. homoeopathic dilution) was not shown in the register of finished products prescribed for the purpose under the rules. The goods were cleared on payment of duty at Rs.7.50 per London proof litre, being the rate applicable to homoeopathic preparations under the Act.

In the absence of the Chemical Examiner’s report and the prescribed records, it could not be ascertained whether the entire finished product of 1,24,147 London proof litres represented homoeopathic dilutions containing any “Back potency” and whether charging of excise duty at the lower rate of Rs.7.50 per London proof litre applicable for homoeopathic preparation was in order. The difference of excise duty between the normal rate of Rs.35 and the concessional rate of Rs.7.50 per London proof litre applicable for use in homoeopathic medicine worked out to Rs.34,14,042 on 1,24,147 London proof litres of spirit.

On this being pointed out (September 1980) in audit, the department agreed (January 1982) to take necessary action in future for getting the samples of all kinds of homoeopathic medicines analysed by the Chemical Examiner and also to maintain necessary records at the bonds in respect of "Back potency" used by the bonders in the preparation of homoeopathic medicines.

(b) Ayurvedic laboratories

(i) *Ineffective control over manufacture of "Mritasanjibani Sura"*—Ayurvedic preparation called "Mritasanjibani Sura" contains self generated alcohol of 40 per cent strength. The whole process of manufacturing and bottling of this preparation is done in the bonded manufactory. The main raw material for this preparation is molasses which are purchased by the licensees from open market without any permit issued by the Commissioner of Excise. No percentage of average yield of the finished product obtainable from one tonne of molasses has been prescribed by the Government.

In the course of audit, it was seen (May 1980 and August 1981) that as per records of the manufactories, the yield of the preparation from the same quantity of molasses used, varied widely from bond to bond and batch to batch of the same bond. In the records of three Ayurvedic laboratories taken up for test check, it was noticed (May 1980 and August 1981) that the maximum quantity of average yield of finished product obtained from 100 kilograms of molasses, varied from 32.48 London proof litres in one bond to 91.60 London proof litres in another bond, while the minimum yield varied from 23.82 London proof litres to 45.79 London proof litres as shown below :—

Bonded laboratory	Yield of finished product obtained from 100 Kilograms of molasses (in terms of London proof litres)	
	Maximum quantity	Minimum quantity
'A'	32.48	23.82
'B'	91.60	45.79
'C'	81.91	30.18

The Government stated in September 1981 that the yield of alcohol varied from one manufactory to another depending on the degree of sophistication of process of fermentation and distillation. The yield was also stated to vary in the same manufactory due to difference in sucrose content in the molasses used at different points of time. It was, however, verified in audit that the sucrose content of the molasses used in different batches of production was never ascertained by

chemical analysis before the molasses were used for the manufacture of preparations and thus there was no control by the department over the production and realisation of duty thereon.

The officer-in-charge of a bond stated (June 1980) that the average yield of "Mritasanjibani Sura" in that bond per metric tonne of molasses used was 700 London proof litres (1,750 Bulk litres). Applying this average, the shortfall in the production of "Mritasanjibani Sura" in manufactory 'A' worked out to 1,777 London proof litres during 1978-79 to 1980-81 involving a duty of Rs.53,310. Similarly, the shortfall in manufactory 'C' during the same period worked out to 455 London proof litres involving a duty of Rs.13,650.

The department decided (January 1982) that the manufacturers of ayurvedic medicines should maintain appropriate registers to record the sucrose contents of the molasses used, alcohol contents of fermented wash prepared before distillation and the percentage of wastage of alcohol in manufacture, if any.

(ii) *Lack of control on certain Ayurvedic preparations "Asavas" and "Aristas" manufactured outside the bond*—Under the rules, "Asavas" and "Aristas" are the principal types of ayurvedic preparations in which alcoholic content is self generated and not added as such. Under the rules, no duty shall be levied on ayurvedic preparations containing self generated alcohol in which alcoholic content does not exceed 2 per cent proof spirit. Where the content of proof spirit is in excess of 2 per cent, duty shall be leviable at the rates prescribed in the Act according as the preparation is capable of being consumed as ordinary alcoholic beverage or not.

In the course of audit of five bonded manufactories of ayurvedic preparations, it was noticed that "asavas" and "aristas" were not prepared by them under bond and no records were maintained showing the samples of those preparations having been analysed to ascertain the proof spirit content of the preparations so as to assess and realise duty thereon. The Excise officers accredited to two ayurvedic manufactories intimated that 7,042.5 bulk litres of "asavas" and "aristas" were manufactured by those manufactories during the period from 1978-79 to 1980-81. Another accredited Bond officer, however, could produce the despatch records of the manufactory concerned as also its own Chemical Examiner's reports. A scrutiny of these records revealed that a total quantity of 552,502.5 bulk litres of different items of "asavas" and "aristas" were despatched from the manufactory during the period from 30th June 1980 to 13th April 1981 and the percentage of proof spirit content of most of these preparations exceeded the 2 per cent limit on which normally duty was chargeable. On this basis, total duty for the items containing

alcohol above 2 per cent in respect of the above three manufactories worked out to Rs.17,872 calculated at the rate of Re.1 per London proof litre.

Thus, owing to the absence of adequate departmental check on these products of the ayurvedic pharmacies, the department could not levy and realise duty.

The foregoing points were brought to the notice of the department and Government in September 1981. Their final replies are awaited (May 1982).

CHAPTER V

AGRICULTURAL INCOME TAX

5. Working in assessments and collection of Agricultural Income Tax

5.1. Introductory

Tax on agricultural income from land-situated in West Bengal is levied under Bengal Agricultural Income Tax Act, 1944 effective from the 1st day of April 1944. The revenue realised during the last four years was as follows :

Years					Revenue realised (In crores of rupees)
1977-78 .. .. .	..	..	..	..	6.24
1978-79 .. .. .	..	..	..	..	8.81
1979-80 .. .. .	..	..	..	..	7.28
1980-81 .. .. .	..	..	..	..	2.25

The above table shows a heavy short-fall in realisation of revenue in 1980-81 as compared to that of 1979-80 though there was no reduction in rates applicable during the period. Reasons for the short-fall called for (February 1982) from the department are awaited (May 1982).

5.2. Arrears in assessment

The number of assessments completed and assessments in arrears are indicated below :

Years				Number of assessments for disposal	Assessments completed during the year	Percentage of disposal	Assessments pending at the end of each year
1977-78 .. .. .	..	..	..	1,06,262	26,547	24.9	79,715
1978-79 .. .. .	..	..	..	1,11,083	29,513	26.5	81,570
1979-80 .. .. .	..	..	..	1,14,721	29,545	27.7	85,176
1980-81 .. .. .	..	..	..	Information awaited from the department			

The sanctioned strength of the assessing officers is 32. The department attributed the growth in arrear of assessments to shortage of assessing officers. The department could not, however, state readily the norms of work fixed for each officer.

5.3. Non-payment of advance tax

As per amended provisions of the Agricultural Income Tax Act, with effect from the assessment year 1975-76, an assessee shall pay

to the credit of Government, as advance tax, an amount equal to the agricultural income tax calculated on his total agricultural income of the latest previous year in respect of which he has been assessed. From the same assessment year, the assesseees are also required to pay balance of tax, if any, due as per return on self-assessment within thirty days of submission of return as per general notice or individual notice issued by the Agricultural Income Tax Officer, failing which penalty is leviable.

On a test check of two range offices, it was noticed (October 1981) that as on 31st March 1981, there were 3,857 assesseees under non-tea and 165 assesseees under tea categories. None of the non-tea assesseees paid any advance tax or tax on self-assessment. The information regarding total number of tea assesseees who paid advance tax and self assessed tax could not be furnished by the department. It was further noticed (August 1981) in audit that the assessments of non-tea assesseees were mostly made in the fourth year. In respect of two districts (Calcutta and 24-Parganas), out of 2,922 assessment cases completed during 1980-81 involving demand of Rs.13.31 lakhs, 1,743 cases involving demand of Rs.7.11 lakhs (55 per cent of total demand) were actually assessed in the fourth year to avoid time-bar. Non-payment of advance tax coupled with this delay in assessment resulted in delayed collection of revenue.

5.4. Agricultural income from non-tea assesseees not brought within the ambit of agricultural income tax

A person having annual income from agriculture exceeding Rs.3,000 is liable to pay agricultural income tax. On the basis of average yield and price of agricultural commodities as computed by the assessing officers of the department for the year 1976-77, holders of single crop agricultural land of 6 acres are generally found liable to pay agricultural income tax. In the case of lands involving double crops, even smaller holdings, would be covered under agricultural income tax.

An agricultural census was conducted in 1976-77 jointly by the Board of Revenue and the Directorate of Agriculture based on sample survey. The report of this census showed that the number of agricultural holdings of 10 acres (about 4 hectares) and above (excluding tea-garden) during the year was 1,35,991. But the number of assesseees in the books of the department during the agricultural years 1977, 1978 and 1979 stood at 25,047, 25,733 and 25,770 respectively. This would indicate that even on the basis of agricultural holdings of 10 acres (about 4 hectares) and above, approximately only about 19 per cent of the prospective assesseees had been brought within the ambit of agricultural income tax by the assessing authorities.

The number of prospective assesseees of the above category in respect of three districts of Howrah, Hooghly and 24-Parganas, as per the census report, was 14,920 as against 3,857 in the books of the department in the (current) agricultural year 1980. A test check of the records relating to raiyats who held land of 10 acres and above in nine Land Reforms Circles, out of eighty-two circles of the aforesaid districts showed that 314 raiyats who held land of 10 acres and above had not been brought within the ambit of agricultural income tax by the assessing authority. On this being pointed out (October 1981) in audit, the department attributed the non-detection of cases to shortage of man-power.

The agricultural land under the three Zilladar offices of Champadanga, Haripal and Dhaniakhali in Hooghly district under Damodar Canal Revenue Division III is served by irrigation, and the raiyats served by irrigation during Boro season grow high-yielding Boro crop. A correlation by audit of the land records relating to raiyats who possessed more than 5 acres of land under the jurisdiction of the above mentioned three Zilladar offices with the records of the assesseees of the Revenue Division for payment of water rates, revealed that none of the 66 assesseees who were subjected to pay water rates for two seasons (Aman and Boro seasons) were assessed to agricultural income tax. Total tax effect for the assessment year 1977-78 (computed on the basis of average yield and price taken for the purpose of assessment of tax by the assessing officers of the department) worked out to Rs.93,000 approximately.

On this being pointed out (October 1981) in audit, the department stated (October 1981) that owing to shortage of man-power (October 1981) correlation with the records of other departments could not be done.

5.5. Agricultural income from tea assesseees

5.5.1. Sale of green leaf not assessed to tax as purely agricultural income

Income derived from sale of green leaf of tea grown by a dealer is treated as cent per cent agricultural income as no manufacturing operation is involved in it.

On cross verification of the records of one holding company with that of its subsidiary company it was noticed (August 1981) in audit that the holding company had sold to the subsidiary company during the period 1974 to 1977, green leaf worth Rs.20,27,476. The income from sale of green leaf was not assessed to agricultural income tax as cent per cent agricultural income in the hands of the holding company. This resulted in under-assessment of tax of Rs.2,35,866.

On this being pointed out (October 1981) in audit, the department admitted the mistake and stated (October 1981) that steps had since been taken to rectify it.

5.5.2. Short computation of taxable agricultural income from tea

In computing agricultural income of a tea assessee for the assessment year 1974-75, the Agricultural Income Tax Officer omitted to take into consideration an income of Rs.1,00,000 of the assessee for the year 1974-75 from its newly purchased tea garden. The above omission resulted in non-levy of tax on agricultural income of Rs.60,000 having a tax effect of Rs.30,000.

On this being pointed out (September 1981) in audit, the department admitted the mistake and stated (September 1981) that action had since been taken to rectify the mistake.

5.5.3. Under-charge of tax due to non-inclusion of hail-storm damage compensation in the taxable agricultural income on tea

As per a judicial decision* (February 1969), amount of compensation received by a tea company from an insurance company on account of damages caused by hail-storm to the green leaf is to be taken as part of agricultural income.

In the course of audit of two charge offices in Jalpaiguri and Calcutta district, it was noticed (July 1979 and August 1981) that in the assessment of two tea companies for the assessment years 1973-74 and 1976-77, Rs.45,937 and Rs.24,157 respectively, received by them on account of damage caused by hail-storm to the green leaf were not taken into consideration as agricultural income. This resulted in under-assessment of tax of Rs.23,158.

On this being pointed out (July 1979 and August 1981) in audit, the department admitted (July 1979 and August 1981) the mistake in both the cases. In one case the department has since realised (January 1980) the additional tax. Report of realisation in the other case is awaited (May 1982).

*Commissioner of Income Tax, West Bengal vs. B. Gupta (P) Ltd. in the Hon'ble High Court, Calcutta (74 ITR 337) dated 5-2-1969.

CHAPTER VI

OTHER TAX AND NON-TAX RECEIPTS**A—Motor Vehicles Tax****6.1. Loss of revenue due to delay in revision of maximum safe laden weight**

Under the Motor Vehicles Act, 1939, the State Government with the approval of the Central Government is empowered to issue notifications specifying the maximum safe laden weight in respect of transport vehicles having regard to their nature, size, makes and models. The registering authority shall also specify the time for producing the certificates of registration before him by the owners of transport vehicles for the revision of maximum safe laden weight.

The State Government issued (31st August 1979) a notification to the effect that the maximum safe laden weight in respect of certain types of transport vehicles plying under the Eastern Zone and National Permit Scheme would be 150 per cent (instead of 125 per cent) of the gross vehicle weight certified by the manufacturer or 17,800 kg, whichever is less. The road tax was realisable from the owners of such transport vehicles at the appropriate rates consequent on the revision of the maximum safe laden weight.

In the course of audit in 7 regions, it was noticed (between April 1980 and February 1981) that revision of the maximum safe laden weight in respect of transport vehicles mentioned in the notification had been given effect to on different dates other than the date of notification as the registering authorities did not specify the time limit for such revision as required under the Act. Owners of 90 transport vehicles in 3 regions produced the certificate of registration after a lapse of more than 3 months to 16 months and owners of 89 transport vehicles did not turn up (February 1981) for revision of the registered laden weight (as no time limit was fixed by the registering authorities). As a result, Government incurred a loss of revenue to the extent of Rs.1,49,445 in respect of the intervening period.

On this being pointed out (between September 1980 and February 1981) in audit, Government stated (October 1981) that the vehicle owners were liable to pay revised tax from the date on which maximum safe laden weight was revised in the certificate of registration and the process of revision was time consuming. The views of the Government would, all the more, indicate the need for a time bound programme for such reviews, as otherwise it would lead to loss of revenue.

6.2 Irregular remission of tax leading to non-realisation of revenue

Under the West Bengal Motor Vehicles Tax Act and Rules framed thereunder a registered owner of a transport vehicle claiming refund or remission of tax on the ground of its non-use shall present a declaration to that effect along with satisfactory proof in support thereof, before the Taxing Officer. Surrender of certificate of registration, tax token and permit (A and B) to the Taxing Officer on or about the date on which the vehicle goes off the road will be regarded as satisfactory proof for the purpose.

In the course of audit in a region, it was noticed (July 1980) that the remission of tax for non-use of three transport vehicles relating to different periods between December 1978 and March 1980 was granted by the Taxing Officer without evidence of the owners having surrendered the required documents on or about the dates on which they went off the road. In these cases the owners also reported non-use of their vehicles to the Taxing Officer after the lapse of a period of 10 to 20 months from the date of non-use. The irregular remission of the tax entailed non-realisation of tax to the tune of Rs.11,526.

On this being pointed out in audit (September 1980) the Government stated (March 1981) that surrender of papers was a precondition for acceptance of non-use of vehicles and as such the remission of tax in those cases was not in order. Government also stated that steps should be taken for realisation of tax from the owners of the vehicles. Further developments are awaited (May 1982).

6.3. Short realisation of road Tax on Temporary permits

Under the West Bengal Motor Vehicles Tax Act, 1979 road tax, in respect of vehicles which are registered in other States and brought into West Bengal under temporary permits, is payable for their period of stay in West Bengal at a weekly rate of one fifty second part of annual tax. The rate of annual tax was revised and enhanced by the Government of West Bengal from 1st June 1979.

Mention was made in para 36 and 56 of the Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1972-73 and 1973-74 of short realisation of tax in respect of vehicles coming from other States. The Public Accounts Committee in their Report for 1977-79 (Part II) directed the department to take steps for early realisation of the amount. But no report of realisation has so far (November 1981) been received in the audit office.

Cases of short realisation of tax due to adoption of pre-revised rates as well as incorrect reckoning of periods continued to be noticed in audit even subsequently. Thus in the course of audit (April 1980,

June 1981) it was noticed in a region that in respect of 322 vehicles of other States which had entered West Bengal during the period between June 1979 and December 1980, the amount of short realisation due to adoption of pre-revised rates and incorrect reckoning of periods was Rs.21,433.

On this being pointed out (April 1980, June 1981) in audit, the department agreed (May 1980 and June 1981) to issue demand notices to the parties concerned.

The matter was reported to Government in September 1980 and October 1981; reply is awaited (May 1982).

6.4. Non-realisation of tax from seized vehicles

Under the Motor Vehicles Tax Act, 1932, a vehicle seized and detained for plying without payment of tax and produced before a court within 24 hours as required, shall not be released by the court unless the entire arrear of tax due has been deposited by way of security. For any such offence the due amount of tax shall, under the orders of the court, be recovered, as fines besides other prescribed fine. From 1st June 1979, the Act was repealed by the West Bengal Motor Vehicles Tax Act 1979, under which the vehicle so seized and detained by the authorised officer may be released by him if payment of the tax due together with the prescribed fine is made to the taxing officer within 30 days of detention. Thereafter, the vehicle may be sold unless within a further period of 15 days five times of annual tax due is paid.

In the course of review of seizure list of vehicles in a region of Calcutta following cases of release of seized vehicles were noticed (April 1980) where arrear amount of tax due remained unrecovered :

- (i) One transport vehicle for which tax remained unpaid for two years was seized in March 1979 before introduction of the W.B.M.V. Tax Act, 1979. It was released by the court within three days of seizure on realisation of token penalty of Rs.120. The arrear tax due from March 1977 to March 1979 amounting to Rs.8,645 recoverable as further penalty in addition was not realised.
- (ii) Similarly, two other stage carriages were seized in July 1979 and September 1979 when the Motor Vehicles Tax Act, 1979 came into force and the vehicles were released by the court on realisation of token penalty of Rs.100 and Rs.1,300, respectively. The arrear tax due relating to period varying from March 1962 and September 1979 amounting to Rs.28,107 remained unrecovered.

The position of arrear tax in respect of these vehicles was not included in the report lodged before the court.

On this being pointed out in audit, the department stated (May 1980) that demand notices for payment of tax were being issued. On further verification of records it was noticed (June 1981) that taxes in respect of these vehicles were not realised till March 1981. Total tax demand against the vehicles up to March 1981 worked out to Rs.54,230 excluding penalty for non-payment of tax.

The matter was reported to Government (November 1980); reply is awaited (May 1982).

B—Entry Tax

6.5. Non-assessment of tax

In terms of a notification issued in April 1979 under the Taxes on Entry of Goods into Calcutta Metropolitan Area Act, 1972, articles manufactured from iron or steel or their alloys not falling under the specified items were liable to tax at the rate of 2 per cent *ad valorem*. 'Steel Truss', a product of iron and steel, being not specified item will attract tax at the rate of 2 per cent *ad valorem*.

In the course of audit in a Railway Check Post, it was noticed (April 1980) that 19 wagons of Steel Trusses valued at Rs.7,50,260 were imported into Calcutta Metropolitan Area between June 1979 and October 1979. The goods were released to the dealer without making assessment of tax. This resulted in non-assessment of the tax to the extent of Rs.15,005.

On this being pointed out, in audit (April 1980) the department admitted the mistake and realised the tax amount in May 1980.

The matter was reported to Government in October 1980; reply is awaited (May 1982).

6.6. Under-assessment of tax due to application of incorrect rate

In terms of notification issued by the Government on 20th April 1979 under the Taxes on Entry of Goods into Calcutta Metropolitan Area Act, 1972 and effective from the same date, bicycles as vehicles are taxable at the rate of one per cent *ad valorem* whereas components, accessories and spares of such vehicles are taxable at the rate of two per cent *ad valorem*.

In the course of audit in a road check post in Howrah district, it was noticed (November-December 1980) that some dealers imported components and parts of bicycles valued at Rs.15,04,260 into the Calcutta Metropolitan Area between 24th April 1979 and 1st June 1979. The assessing officer taxed the goods in question at one per

cent applicable to bicycle instead of two per cent applicable to components of bicycles. This resulted in under-assessment of tax of Rs.15,043.

On this being pointed out in audit the department stated (December 1980) that the dealers had never brought bicycles in assembled condition but only in loose condition for facility of bringing many cycles in a single carrier and tax was levied on them treating them as bicycles. Vouchers in respect of some such cases however, revealed that all parts of the bicycle had not been brought with the consignment concerned. Besides, there being separate rates prescribed for components and assembled bicycle, the above contention of the department was not tenable.

The matter was reported to Government in June 1981; reply is awaited (May 1982).

6.7. Short levy of tax due to delay in implementation of the departmental instructions

Under the Taxes on Entry of Goods into Calcutta Metropolitan Area Act, 1972, the Government is empowered to issue notification from time to time specifying the rate of tax to be levied on the entry of every specified goods into the Calcutta Metropolitan Area for consumption, use or sale therein from any place outside that area. There were 151 Check Posts in West Bengal in July 1981. Considering the nature of the tax which is collected instantly from the passing vehicles, it is necessary that the revised rates of tax| methods of valuation are communicated to the Check Posts promptly for implementation from the crucial dates to avoid any possible loss of revenue.

(a) Government issued a notification on 20th April 1979 specifying some additional goods and also change in rate of tax to be effective from the date of issue of the Order. The rate of tax on spice was fixed at 7 per cent *ad valorem* though the said goods were an un-specified (exempted) item prior to 20th April 1979.

In the course of audit in a road check post in 24-Pargana's North district (Barasat), it was noticed (December 1980) that 10,450 kilograms of big cardamom (falling under category of spices) valued at Rs.2,61,250 imported by a dealer into the Calcutta Metropolitan Area through the check post on 23rd April 1979 were exempted from levy of tax by the assessing officer. The irregular exemption resulted in non-levy of tax of Rs.18,288.

On this being pointed out (December 1980) in audit the department stated (December 1980) that necessary action would be taken. Further developments are awaited (May 1982).

(b) The department issued (19th July 1979) a circular outlining the guidelines to be followed by the assessing officers for the purpose of determining the valuation of timber for the purpose of levying tax.

In the course of audit in the same check post it was noticed (November-December 1980) that the valuation of timber, imported into the Calcutta Metropolitan Area by some dealers between 19th July and 3rd August 1979 through the check post, which was assessable at Rs.10,35,725 on the basis of departmental circular dated 19th July 1979 was assessed by the assessing officer at Rs.5,99,192 on the basis of the earlier instructions. This resulted in short levy of tax of Rs.17,461.

On this being pointed out (November-December 1980) in audit, the department stated (November-December 1980) that the short levy of tax was due to late receipt of departmental guidelines from the authority on 30th July 1979.

The above cases were reported to Government in July 1981; reply is awaited (May 1982).

C—Amusement Tax

6.8. Non-assessment of Amusement Tax

Under the Bengal Amusement Tax Act, 1922 and the Rules framed thereunder, persons admitted in cinematograph exhibitions are required to pay entertainment tax, surcharge and additional surcharge at the prescribed rates. The Act further stipulates that the proprietor of a cinema is required to pay show tax at prescribed rates for every person admitted to such exhibition. In order to ensure proper assessment and collection of tax, the proprietor of a cinema house is required to submit weekly returns in prescribed forms to the prescribed authority. In case of non-payment or default in the payment of entertainment tax, show tax, etc. and of failure in submission of returns, the collecting authority may lodge a report recommending appropriate action to the licensing authority who may disqualify such licence holder for any period from holding licence and shall cancel and impound the licence. The proprietor of such cinema hall shall also be punishable with fine which may extend to three thousand rupees besides imprisonment. If the offence is a continuing one, a daily fine not exceeding one hundred rupees is also leviable during the period of continuance of the offence, besides other punishment.

In the course of audit it was noticed (May 1977) that, between November 1971 and December 1976, temporary licences were issued to a cinema house in Darjeeling district having seating capacity of

500 for a total period of 46 months in eleven different spells. The proprietor did not file any return as prescribed under the rules and no action to make an assessment or recover any tax or invoke penal provisions of the Act till September 1981 was taken by the prescribed authority (who is also the licensing authority in this case). The position of non-payment of entertainment tax and show tax was also not taken into account by the licensing authority at the time of renewal of licence, as required under the provisions of the Act.

Based on the seating capacity, for one show alone daily, for 1,380 days during the period, tax including surcharge and show tax worked out to Rs.5.09 lakhs approximately. Actual number of shows held daily could not be ascertained in audit as no returns were submitted by the proprietor.

Although this was pointed out (May 1977) in audit the Government stated only in August 1981 stating that progress in the matter of realisation of tax due from the defaulting and delinquent cinema hall proprietor would be intimated. Further developments are awaited (May 1982).

D—Stamp and Registration

6.9. Short levy of stamp duty and registration fees

Under the Indian Stamp Act, 1899, stamp duty on a mortgage deed where possession is not given, is to be calculated on the amount secured by such deed. Registration fee on the same value is realisable in addition under the Indian Registration Act, 1908.

In the course of audit in a sub-Registry office in Siliguri, Darjeeling district, it was noticed (May 1980) that in order to secure repayment of an amount of Rs. 7,75,975 by means of annuities, a party executed a mortgage deed in respect of property valued at Rs. 1,61,000. While registering the mortgage deed (May 1978) the registering authority charged stamp duty on Rs. 1,61,000 instead of on Rs.7,75,975, the amount secured, as required under the provisions of the Act. This resulted in short realisation of stamp duty and registration fee aggregating Rs. 23,861.

On this being pointed out the department accepted (May 1981) the objection and referred (May 1981) the case to the competent authority for realisation of stamp duty and registration fee short levied from the parties concerned.

The matter was reported to Government in April 1981; reply is awaited (May 1982).


E—Electricity Duty**6.10. Under-assessment of duty on consumption of electric energy**

The Bengal Electricity Duty Act, 1935, provides that every person who does not maintain separate meters for recording different kinds of consumption of electrical energy for purposes of calculating different rates of duty payable by him, shall be liable to pay electricity duty at the highest of the applicable rates and also provides that on consumption of electricity for industrial power, where lights and fans are not metered separately, but integrated with the consumption in any industrial or manufacturing process, a surcharge of 20 per cent on the duty over the prescribed rate is payable per unit. The Act further requires that while depositing the amount of duty payable, a licensee and the persons who generated (or supplied) energy shall submit to the collector (assessing officer as well as collecting officer) with copy to the electrical inspector, a return in the prescribed form showing *inter alia*, the amount of duty payable at different rates on the energy supplied.

In the course of audit in Hooghly district, it was noticed (October 1980) from the returns submitted by an industrial firm (generating energy for its own purposes) that during the period from December 1977 to December 1979, 2,45,94,764 units of energy were consumed and no consumption for lights and fans was shown in the returns separately as having been metered. Surcharge was, therefore, payable on the total consumption. The duty and surcharge thus payable worked out to Rs. 4,42,705 against which Rs. 3,84,020 were only realised. This resulted in short realisation of duty to the extent of Rs. 58,685.

On this being pointed out (October 1980) in audit, the Collector stated (October 1980) the responsibility for pointing out the under payment of duty lay with the electrical inspector (inspecting authority). This would indicate that, as assessing and collecting officer, the Collector did not verify the correctness of the rate and amount of duty payable on the basis of the returns.

The matter was reported to Government (November 1981); reply is awaited (May 1982).

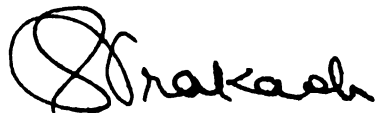


(Smt. R. KRISHNAN KUTTY),
Accountant General II,
West Bengal.

CALCUTTA,

The ~~1982~~
15 OCT 1982

Countersigned.



(GIAN PRAKASH),
Comptroller and Auditor General of India

NEW DELHI,

The 1982.

11 15 OCT 1982

APPENDIX I

Statement showing the cost of collection under the principal heads of revenue

(Reference : Paragraph 1.4, page 5)

Head of accounts	Gross collection in 1980-81	Expenditure on collection in 1980-81	Percentage of cost of collection to gross collection		
			1980-81	1979-80	1978-79
(In crores of rupees)					
1. Taxes on Agricultural Income ..	2.25	0.24	10.7	2.7	2.0
2. Other taxes on Income and Expenditure	10.51	0.18	1.7	1.0	..
3. Land Revenue	17.71	6.32**	35.7	34	26.2
4. State Excise	51.75	2.81	5.4	5.8	6.9
5. Taxes on vehicles	18.89	0.57	3.0	2.9	3.0
6. Sales Tax	299.55	2.64	0.9	0.7	0.8
7. Stamps and Registration fees ..	28.72	3.19	11.1	10.1	13.7
8. Taxes and Duties on Electricity ..	18.11	0.27	1.5	1.5	1.4
9. Taxes on Goods and Passengers ..	50.69	1.60	3.2	3.3	4.3
10. Other Taxes and Duties on commodities and services	25.74	0.05	0.2	0.2	0.3
11. Forest	12.54	1.62**	12.9	14.2	11.2
Total ..	536.46	19.46	3.6	3.4	3.8

**Forest department has several functions not directly connected with the sale of forest produce. Only direct expenditure on forest produce has been shown. Similarly in respect of Land Revenue direct collection cost only has been taken.

In the report for the years 1978-79 and 1979-80 indirect costs were also taken into account in the determination of percentages for those years.

APPENDIX II

(Referred to in Para 2.2.11 Page 16)

Statement showing wrong credits in favour of assesseees

Sl. No.	Period of Inspection Report	Para	Registration certificate number	Period of assessment/Date of assessment	Credit allowed	Credit allowable	Excess credit	Remarks
					Rs.	Rs.	Rs.	
1.	CK/79-80	8(d)	SL/3277	4 Q.E. 31-3-76/22-2-80	1,12,928.36	12,928.36	1,00,000.00	'B'
2.	CR/79-80	.. 10	1876A(CR)C	4 Q E KB 2032 (9-11-74 to 3-11-75/ 18-10-79	3,49,725.00	2,71,456.70	78,268.30	'B'
3.	PS/80-81	.. 8	PS/458B	31-12-76/30-10-80	3,97,676.00	3,87,317.00	10,359.00	'C'
4.	PG/79-80	.. 16(a)	PG-1083A	31-12-76/27-3-80	16,143.98	6,143.98	10,000.00	'C'
5.	AL/75-76	.. 9	102B/AL	31-12-72/23-4-75	9,171.66	123.34	9,048.32	'C'
6.	CK/79-80	.. 8(a)	2517A(CK)C	31-3-76/24-3-80	7,517.00	2,517.00	5,000.00	'B'
7.	AS/79-80	.. 10(a)	20B(AS)C	.. 31-12-75/27-11-79	3,085.16	..	3,085.16	'C'
8.	CK/79-80	.. 8(c)	2193A(CK)C	31-12-75/31-10-79	13,944.00	12,944.00	1,000.00	'C'
9.	PG/77-78	.. 23	PG/3376A	31-3-74/7-9-77	26,951.06	25,951.06	1,000.00	'C'
10.	PS/77-78	.. 13(a)	3339.A	C S 8th 2030/29-3-78	11,521.00	10,521.00	1,000.00	'C'
11.	SG/79-80	.. 11(a)	SC-944	31-3-76/11-9-79	43,325.49	42,325.49	1,000.00	'B'
12.	CR/79-80	.. 10(b)	CR/482	.. 1383 BS/10-5-79	12,140.00	11,040.00	1,100.00	'B'
13.	RJ/77-78	.. 13(b)	3387A	.. 30-6-75/30-6-77	9,700.40	9,856.21	844.19	'C'
14.	RB/78-79	.. 18	141A	.. 4 Q E 31-3-75/16-5-78	16,134.56	15,738.56	396.00	'C'
15.	CR/79-80	.. 10(c)	..	31-12-76/26-9-79	7,939.00	7,639.00	300.00	'A'
16.	SG/79-80	.. 11(b)	SG/27A	.. CSB, 2033/3-5-79	1,26,516.71	1,26,219.27	297.44	'C'
17.	CR/77-78	.. 21	2461A	.. 1381 BS/2-1-78	1,197.97	997.96	200.00	'C'
18.	CK/79-80	.. 8(b)	CK C	.. 31-3-76/30-1-80	4,995.00	4,895.00	100.00	'C'
19.	AS/79-80	.. 10(b)	AS 2849	.. 31-3-76/30-11-79	21,153.36	21,053.36	100.00	'C'
Grand Total					11,91,765.71	9,68,667.29	2,23,098.42	

'A' Credit twice
'B' Credits not supported by receipted challan
'C' Credits for higher amounts

APPENDIX III

(Referred to in Para 2 2 15(n), page 20)

Statement showing cases referred to C.T.O. for further information i.e. list of assets, correct address etc. and no reply received till date (May, 1982)

Sl. No.	Certificate case number	Period of assessment	Demand amount (In rupees)	Date of last reference to Commercial Tax Officer
1.	152-ST-LR-78-79 ..	.. Y.E. 31-3-75 ..	1,07,240.50	23-8-79
2.	24-ST-LR-78-79 ..	.. Y.E. 31-12-73 ..	1,22,350.00	24-3-80
3.	155-ST-LR 80 81 ..	.. Y.E. 31 12-75 ..	8,55,242.07	23-9-81
4.	80-ST-LR-80-81 ..	.. Y.E. 31-12-73 ..	1,78,948.89	
5.	44-ST-LR-80-81 ..	.. Y.E. 31-12-74 ..	15,33,723.57	
6.	79-ST-LR-80-81 ..	.. Y.E. 31-12-74 ..	7,82,819.23	23-9-81
7.	43-ST-LR-80-81 ..	.. Y.E. 31-12-72 ..	1,45,525.93	
8.	440-ST-PG-78-79 ..	.. Y.E. 31-1-71 ..	25,754.57	2-3-79
9.	706-ST-PG-78-79 ..	.. Y.E. 31-12-73 ..	1,09,803.50	6-7-79
10.	74-ST-PG-79-80 ..	.. Y.E. 31-3-75 ..	2,46,790.28	18-10-79
11.	135-ST-PG-79-80 ..	.. Y.E. 15 KB-2030 ..	1,05,322.68	30-12-79
			42,13,521.02	

APPENDIX IV

(Referred to in Para. 2.2.15(m)(a), page 20)

Statement showing cases where notice U/s. 7 not yet issued

Sl. No.	Certificate case number	Registration certificate number	Period of assessment	Demand amount (In rupees)	Date of filing by the Commercial Tax Officer
1.	266-S1-LR-78-79 ..	L.R.-397 B	1-1-73 to 9-5-73	1,06,993.28	
2.	267-ST-LR-78-79 ..	Do.	10-5-73 to 31-12-73	3,00,000.00	20-10-78
3.	268-ST-LR-78-79 ..	Do.	Y.E. 31-12-74	4,83,932.36	
4.	269-ST-LR-78-79 ..	Do.	Y.E. 31-12-72	4,52,413.60	
5.	133-ST-PG-80 81 ..	PG-296 B	Chaitra 1381 BS	26,927.61	10-12-79
	765-ST-PG-80-81 ..	964 A PG-C	Y.E. 31-12-75	16,454.55	8-9-80
	836-ST-PG-80-81 ..	P.G-3606 A	Y.E. 31-3-76	24,948.00	2-2-81
	839-ST-PG-80-81 ..	P.G-5297 A	Y.E. 30-6-76	81,591.36	2-2-81
9.	840-ST-PG-80-81 ..	1985-A-PG-C	Y.E. 30-6-76	27702.00	2-2-81
				15,20,962.76	

APPENDIX V

(Referred to in Para. 2.2.15(iii)(b), Page 20)

Statement showing cases where no further action was taken after issue of notice u/s.-7

Sl. No.	Certificate case number	Period of assessment	Amount of demand (In rupees)	Date of notice u/s 7
1.	385-ST-LR-79-80	.. Y.E. 31-12-75 ..	7-18-358 28	11-2-80
2.	368-ST-LR-79-80	.. Y.E. 31-12-75 ..	71,205.82	8-2-80
3.	365-ST-LR-79-80	.. Y.E. 31-12-74 ..	95,909.10	8-2-80
4.	366-ST-LR-79-80	.. Y.E. 30 6-74 ..	1,02,000.00	8-2-80
5.	364-ST-LR-79-80	.. Y.E. 31-12-74 ..	1,16,488.64	8-2-80
6.	409-ST-LR-79-80	.. Y.E. 31-12-72 ..	1,29,285.68	28-2-80
7.	410-ST-LR-79-80	.. Y.E. 31-12-75 ..	93,215.96	28-2-80
8.	411-ST-LR-79-80	.. Y.E. 31-12-74 ..	1,48,390.00	28-2-80
9.	413-ST-LR-79-80	.. Y.E. 31 12-73 ..	1,25,595.00	28-2-80
10.	412-ST-LR-79-80	.. Y.E. 31-12-74 ..	1,48,390.25	28-2-80
11.	414-ST-LR-79-80	.. Y.E. 31-12-73 ..	1,25,595.63	28-2-80
12.	293-ST-LR-80-81	.. Y.E. 31-12-73 ..	5,72,556 60	5-8-80
13.	194-ST-LR-80-81	.. Y.E. 31-12-69 ..	8-07,800.00	5-8-80
14.	389-ST-PG-78-79	.. Y.E. 31-12-72 ..	1,12,636.38	26-9-78
15.	390-ST-PG-78-79	.. Y.E. 31-12-73 ..	1,18,636.36	26-9-78
16.	653-ST-PG-80-81	.. B.S. 1381 ..	86,840.00	26-12-80
		Total	35,72,913.68	

APPENDIX VI

(Referred to in Para 2.2.15(iii)(c), Page 20)

Statement showing abnormal delay in the issue of notice u/s-7

Serial No.	Certificate case number	Registration certificate number	Period of assessment	Demand amount	Date of filing the case by the CTO	Date of issue of notice by CTO	Extent of delay					
							Y	M	D			
1.	385-ST-LR-79/80	..	.. LR-128/54A	..	Y.E. 31-12-75	..	7,18,358.28	26-12-78	11-2-80	1	1	17
2	366-ST-LR-79/80	..	.. 1127A/LR/C	..	Y.E. 30-6-74	..	1,02,000.00	17-1-79	8-2-80	1	..	23
3.	364-ST-LR/79/80	..	.. LR/3135A	..	Y.E. 31-12-74	..	1,16,488.64	18-1-79	8-2-80	1	..	22
4.	412-ST-LR-79/80	..	.. 263A/LR/C	..	Y.E. 31-12-74	..	1,48,390.23	6-1-79	28-2-80	1	1	23
5.	80-ST-LR-80/81	..	.. LR/5840A	..	Y.E. 31-12-74	..	15,33,723.57	26-11-79	27-8-80	..	9	2
6.	4-ST-LR-80/81	..	.. LR/5616A	..	Y.E. 31-3-74	..	72,353.12	18-8-79	5-8-80	..	10	19
7.	155-ST-LR-80/81	..	.. 3676A/LR/C	..	Y.E. 31-12-75	..	8,51,242.07	10-3-80	11-9-80	..	6	2
8.	63-ST-RB-78/79	..	..	..	4 Q.E. 9/72	..	1,68,008.37	24,-6-77	8-6-78	..	11	16
9.	173-ST-RB-78/79	..	..	..	4 AB 30/2030	..	1,44,542.68	3-2-78	4-9-78	..	7	2
10.	238-ST-RB-78/79	..	..	..	12 M.E. 31-12-74	..	4,60,302.07	3-2-78	4-9-78	..	7	2
11.	36-ST-RB-80/81	..	..	..	4 Q.E. 30th AB 2031 GD	..	84,540.57	29-1-80	12-8-80	..	7	14
12.	431-ST-PG-78/79	..	.. PG-855A	..	Y.E. 31-3-73	..	1,11,945.46	21-1-78	23-10-78	..	10	2
13.	440-ST-PG-78/79	..	.. PG-187B	..	Y.E. 31-1-71	..	25,754.57	14-12-76	27-10-78	1	10	14
14.	59-ST-PG-79/80	..	.. PG-2540A	..	Y.E. 31-3-72	..	1,00,251.53	16-8-78	11-4-79	..	6	27
15.	94-ST-PG-79/80	..	.. PG-7369A	..	Y.E. 31-12-74	..	1,19,629.80	16-8-78	17-4-79	..	8	2
16.	95-ST-PG-79/80	..	.. PG-310/54A	..	Y.E. 31-3-74	..	57,954.00	16-8-78	17-4-79	..	8	2
17.	31-ST-PG-79/80	..	.. PG-22/54A	..	Y.E. 31-12-73	..	1,28,855.70	1-3-79	6-4-79	1	1	5
18.	142-ST-PG-80/81	..	.. 1895A/PG(C)	..	Y.E. 31-12-71	..	62,049.25	6-12-79	6-6-80	..	6	1
19.	144-ST-PG-80/81	..	.. 5195A/PG	..	Y.E. 31-3-76	..	1,00,792.00	5-12-79	6-6-80	..	6	2
20.	145-ST-PG-80/81	..	..	..	Y.E.31-3-75	..	93,034.00	5-12-79	6-6-80	..	6	2
21.	150-ST-PG-80/81	..	.. 137-54A	..	Y.E. 31-3-75	..	83,840.00	22-11-79	6-6-80	..	6	16
							<u>52,84,056.11</u>					

APPENDIX VII

(Referred to in Para 2.2.15(iii)(d), Page 21),

Statement showing abnormal delay in issue of Distress Warrant

Sl No	Certificate case number	Period of assessment	Date of issue of notice U/S-7	Amount (In rupees)	Date of issue of D/W
1.	131-ST-LR-78-79	.. Y E 31-12-76	.. 24-10-78	1,09,792.00	25-6-79
2.	35-ST-LR-78-79	.. R E 31-12-72	.. 14-9-78	5,58,997.50	6-9-79
3.	262-ST-LR-78-79	.. Y E 31-12-72	.. 30-10-80	1,45,852.00	6-11-81
4.	413-ST-PG-78-79	.. Chaitra 1380 BS...	17-10-78	32,479.71	20-1-81
5.	490-ST-PG-78-79	.. Y E 30-6-73	.. 30-11-78	26,525.30	1-6-79
				8,73,645.51	

APPENDIX VIII

(Referred to in Para 4.7.3, Page 56)

A—Statement showing total wastages of rectified spirit in the laboratories in the manufacture of all medicinal preparations

Laboratory	Year	Total quantity of rectified spirit used (in London Proof Litres)	Total quantity wasted (in London Proof Litres)	Percentage of wastage
A				
(Allopathic Laboratory)	.. 1976-77	29,236.8	3,146.9	10.7
	.. 1977-78	22,059.6	2,624.8	10.9
	.. 1978-79	27,908.2	3,161.9	11.3
	.. 1979-80	28,881.0	3,600.7	12.5
	.. 1980-81	16,964.4	1,906.0	11.6
B				
(Allopathic Laboratory)	.. 1976-77	83,755.7	7,238.2	8.6
	.. 1977-78	1,15,566.7	7,397.4	6.4
	.. 1978-79	98,527.1	8,918.9	9.1
	.. 1979-80	1,02,605.8	8,935.2	8.7
	.. 1980-81	70,322.5	8,055.2	11.4
C				
(Homoeopathic Laboratory*)	.. 1976-77	4,888.4	872.7	17.8
	.. 1977-78	5,885.1	1,118.3	19.0
	.. 1978-79	8,967.2	1,439.9	16.1
	.. 1979-80	7,624.3	1,368.1	17.9
	.. 1980-81	5,133.9	1,062.6	20.7
D				
(Homoeopathic Laboratory*)	.. 1976-77	16,811.3	5,581.9	33.2
	.. 1977-78	18,540.5	4,599.2	24.7
	.. 1978-79	25,248.5	8,497.5	33.7
	.. 1979-80	28,496.4	8,175.2	28.7
	.. 1980-81	22,510.0	6,972.5	30.9
E				
(Homoeopathic Laboratory*)	.. 1976-77	8,660.3	1,374.6	15.5
	.. 1977-78	10,474.2	1,559.0	14.9
	.. 1978-79	15,882.4	2,023.6	12.7
	.. 1979-80	14,492.8	2,222.3	15.3
	.. 1980-81	13,944.4	2,773.6	19.9
F				
(Homoeopathic Laboratory*)	.. 1976-77	9,688.5	2,804.2	28.9
	.. 1977-78	13,696.0	2,910.0	21.2
	.. 1978-79	14,001.0	2,954.0	21.1
	.. 1979-80	13,622.0	2,680.8	19.6
	.. 1980-81	12,966.0	2,580.1	19.9
Total quantity of wastage ..		1,18,536.3		

*Quantity of rectified spirit used in the preparation of mother tincture of various homoeopathic medicines

B—Statement showing percentage of wastages of rectified spirit in the four Homoeopathic Laboratories (C, D, E and F of part A above) in the manufacture of one medicinal preparation.

Laboratory	Year	Percentage of wastage of rectified spirit	
		Highest	Lowest
C	1978-79	35.2	18
	1979-80	28.1	16.4
	1980-81	25.6	18.6
D	1978-79	47	17
	1979-80	22	20
	1980-81	27.9	22
E	1978-79	29.4	13.7
	1980-81	24.9	10.5
F	1979-80	22.2	11.9
	1980-81	20.6	13.3

