



**Report of
The Comptroller
And
Auditor General of India
For
The Year 1979-80
Revenue Receipts
Government of West Bengal**

1X-53-B-3

X-53B/3

Recd. from — Dy Secy. Govt. of W.P.
Finance (Budget) Dept.
18.1.83 No 6P-1/83
Dy. Secy. No. NP.

Rs. 8.00

[Free of Cost]



©

Comptroller and Auditor General of India

1981

✓

TABLE OF CONTENTS

				Reference to	
				Paragraphs	Pages
PREFATORY REMARKS	..	..	..		(iii)
CHAPTER :					
I. General	..	..	..	1·1—1·6	1—10
II. Sales Tax	..	..	..	2·1—2·12	11—22
III. Land Revenue	..	..	..	3·1—3·5	23—25
IV. Taxes on Vehicles	..	..	..	4·1—4·5	26—29
V. Mines and Minerals	..	..	..	5·1—5·8	30—34
VI. Other Tax and Non-Tax Receipts			..	6·1—6·3	35—37
APPENDIX—					
I. Statement showing the cost of collection under the principal heads of revenue.			..		38

PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of West Bengal for the year 1979-80 is presented in a separate volume as was done last year. 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 the 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, Taxes on Vehicles, Mines & Minerals 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 1979-80 were Rs.963.15 crores against the anticipated receipts of Rs.999.89 crores. The total receipts during the year registered an increase of 37.7 per cent over those of 1977-78 (Rs.699.27 crores) and an increase of 16.3 per cent over those in 1978-79 (Rs.828.18 crores). Of the total receipts of Rs.963.15 crores, the State Government raised Rs.606.55 crores, of which Rs.479.09 crores represented "Tax Revenue" and Rs.127.46 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.356.60 crores.

1.2. (a) Analysis of revenue receipts

An analysis of the receipts during 1979-80 along with the corresponding figures for the preceding two years is given below :—

	1977-78	1978-79	1979-80
	(in crores of rupees)		
I. Revenue raised by the State Government—			
(a) Tax Revenue	355.10	408.15	479.09
(b) Non-tax Revenue	77.87	90.14	127.46
Total	432.97	498.29	606.55
II. Receipts from the Government of India—			
(a) State's share of divisible Union Taxes	149.08	161.73	277.57
(b) Grants-in-aid	117.22	168.16	79.03*
Total	266.30	329.89	356.60
III. Total receipts of the State (I+II)	699.27	828.18	963.15
IV. Percentage of I to III	61.9	60.2	63.0

*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 1979-80.

Receipts from the Central Government by way of the State's share of Union taxes and grants-in-aid during the year 1979-80 worked out to about 37 per cent of the total receipts of the State. The State's own mobilisation amounted to 63 per cent approximately.

(b) Tax revenue raised by the State

An analysis of the tax revenue for the year 1979-80 and for the preceding two years is given below :—

	1977-78	1978-79	1979-80	(+)Increase (-)Decrease in 1979-80 with reference to 1978-79
	(in crores of rupees)			
(1) Taxes on Agricultural Income	6.24	8.81	7.28	(-)1.53
(2) Other Taxes on Income and Expenditure.	..	..	7.31	(+)7.31
(3) Land Revenue ..	21.21	20.07	17.19	(-)2.88
(4) State Excise	31.86	35.60	43.91	(+)8.31
(5) Taxes on Vehicles ..	13.82	14.72	16.62	(+)1.90
(6) Sales Tax	198.02	237.20	281.07	(+)43.87
(7) Stamps and Registration Fees	21.11	22.91	25.00	(+)2.09
(8) Taxes and Duties on Electricity.	17.22	16.22	14.22	(-)2.00
(9) Taxes on Goods and Passengers	24.69	27.98	41.84	(+)13.86
(10) Other Taxes and Duties on commodities and Services.	20.51	24.32	24.10	(-)0.22
(11) Taxes on Immovable Property*	0.42	0.32	0.55	(+)0.23
Total ..	355.10	408.15	479.09	(+)70.94
Percentage of the receipt from tax revenue to the State's own revenue receipts.	82.0	81.9	79.0	(-)2.9

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

Receipts from all the different sources went up in 1979-80 except in the case of Taxes on Agricultural Income, Land Revenue, Electricity Duty and Other Taxes and Duties on Commodities and Services which showed decrease of Rs.1.53 crores, Rs.2.88 crores, Rs.2.00 crores and Rs.0.22 crores, respectively. The bulk of the increase under the State taxes was under Sales Tax (Rs.43.87 crores), State Excise (Rs.8.31 crores), Taxes on Vehicles (Rs.1.90 crores), Stamps and Registration Fees (Rs.2.09 crores), and Taxes on Goods and Passengers (Rs.13.86 crores). Receipts from the Tax on Profession, Trade Callings and Employment accounted for Rs.7.31 crores. The reasons for increase or decrease under the heads in question called for from Government in March 1981 are awaited (April 1981).

(c) Non-tax revenue of the State

The principal sources of non-tax revenues of the State were Dairy Development, Interest, Police, Education, Medical, Social Security and Welfare, Minor Irrigation, Soil Conservation and Area Development, Forest, Industries, Mines and Minerals and Road and Water Transport Services. An analysis of non-tax revenue under the principal sources for the year 1979-80 and the preceding two years is given below :—

	1977-78	1978-79	1979-80	(+)Increase (-)Decrease in 1979-80 with reference to 1978-79
	(in crores of rupees)			
(1) Dairy Development ..	15.39	16.03	15.49	(-)0.54
(2) Interest	10.75	10.32	16.20	(+)5.88
(3) Police	1.11	1.82	3.14	(+)1.32
(4) Education	0.97	2.78	4.59	(+)1.81
(5) Medical	7.63	9.87	7.45	(-)2.42
(6) Social Security and Welfare	5.20	6.84	21.85	(+)15.01
(7) Minor Irrigation, Soil Conservation and Area Development.	1.78	1.18	3.59	(+)2.41
(8) Forest	8.77	8.48	9.02	(+)0.54
(9) Industries	3.96	2.93	2.59	(-)0.34
(10) Mines and Minerals ..	0.82	0.75	4.51	(+)3.76
(11) Road and Water Transport Services.	..	5.22	10.11	(+)4.89
(12) Others	21.49	23.92	28.92	(+)5.00
Total ..	77.87	90.14	127.46	(+)37.32

The reasons for short fall under Dairy Development, Medical, Industries, and Mines and Minerals called for from the departments in March 1981 are awaited (April 1981).

(i) The increase in receipts under Interest was attributable to larger recovery of interest from departmental, commercial and public sector undertakings.

(ii) The increase in receipts under Social Security and Welfare was due to larger recoveries which included recovery of "ad-hoc administrative charges (Rs.10 crores)" from the Food Corporation of India.

(iii) Increase under Road and Water Transport Services was due to incorporation of transactions of the undertaking of Calcutta Tramways Company Ltd., for the years 1978-79 and 1979-80 in 1979-80.

1.3. Variation between the Budget estimates and the actuals

(i) The receipts compared to the Budget estimates during the three years 1977-78 to 1979-80 were as under :—

	Year	Budget estimates	Actuals	Variation Excess(+) Shortfall(-)
				(in crores of rupees)
(A) Tax Revenue	1977-78	356.69	355.10	(-)1.59
	1978-79	417.45	408.15	(-)9.30
	1979-80	502.49	479.09	(-)23.40
(B) Non-Tax Revenue ..	1977-78	107.16	77.87	(-)29.29
	1978-79	106.59	90.14	(-)16.45
	1979-80	128.45	127.46	(-)0.99

(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 (-)Short fall	Percen- tage of variation
					(in crores of rupees)
(1) Taxes on Agricultural Income.	1977-78	3.54	6.24	(+)2.70	76.3
	1978-79	4.39	8.81	(+)4.42	100.7
	1979-80	9.00	7.28	(-)1.72	19.1
(2) Other Taxes on Income and Expenditure.	1977-78	..	..	..	..
	1978-79	**	..	..	..
	1979-80	13.00	7.31	(-)5.69	43.8

**The tax was levied with effect from 1st April 1979. The estimated receipt was not included in the budget.

Head of revenue	Year	Budget estimates	Actuals	Variation (+) Excess (-) Short-fall	Percentage of variation
(in crores of rupees)					
(3) Land Revenue ..	1977-78	27.00	21.21	(-)5.79	21.4
	1978-79	20.39	20.07	(-)0.32	1.6
	1979-80	33.89	17.19	(-)16.70	49.3
(4) State Excise ..	1977-78	28.00	31.86	(+)3.86	13.8
	1978-79	34.55	35.60	(+)1.05	3.0
	1979-80	39.31	43.91	(+)4.60	11.7
(5) Taxes on Vehicles ..	1977-78	12.60	13.82	(+)1.22	9.7
	1978-79	16.58	14.72	(-)1.86	11.2
	1979-80	22.00	16.62	(-)5.38	24.5
(6) Sales Tax ..	1977-78	204.29	198.02	(-)6.27	3.1
	1978-79	242.61	237.20	(-)5.41	2.2
	1979-80	287.18	281.07	(-)6.11	2.1
(7) Stamps and Registration Fees.	1977-78	23.20	21.11	(-)2.09	9.0
	1978-79	25.60	22.91	(-)2.69	10.5
	1979-80	25.00	25.00	..	..
(8) Taxes and Duties on Electricity.	1977-78	17.05	17.22	(-)0.17	1.0
	1978-79	20.90	16.22	(-)4.68	22.4
	1979-80	24.74	14.22	(-)10.52	42.5
(9) Taxes on Goods and Passengers.	1977-78	23.15	24.69	(+)1.54	6.7
	1978-79	26.75	27.98	(+)1.23	4.6
	1979-80	31.00	41.84	(+)10.84	35.0
(10) Other Taxes and Duties on Commodities and Services.	1977-78	17.51	20.51	(+)3.00	17.1
	1978-79	25.33	24.32	(-)1.01	4.0
	1979-80	30.00	24.10	(-)5.90	19.7
(11) Interest ..	1977-78	15.72	10.75	(-)4.97	31.6
	1978-79	16.63	10.32	(-)6.31	37.9
	1979-80	28.83	16.20	(-)12.63	43.8
(12) Police ..	1977-78	2.06	1.11	(-)0.95	46.0
	1978-79	2.06	1.82	(-)0.24	11.7
	1979-80	2.30	3.14	(-)0.84	36.5
(13) Education ..	1977-78	0.93	0.97	(+)0.04	4.3
	1978-79	0.85	2.78	(+)1.93	227.0
	1979-80	3.29	4.59	(+)1.30	39.5

Head of revenue	Year	Budget estimates	Actuals	Variation (+) Excess (-) Short-fall	Percentage of variation
(in crores of rupees)					
(14) Medical ..	1977-78	9.61	7.63	(-)1.98	20.7
	1978-79	11.14	9.87	(-)1.27	11.4
	1979-80	14.13	7.45	(-)6.68	47.3
(15) Forest ..	1977-78	6.10	8.77	(+)2.67	43.8
	1978-79	8.50	8.48	(-)0.02	0.2
	1979-80	9.23	9.02	(-)0.21	2.3
(16) Industries ..	1977-78	5.40	3.96	(-)1.44	26.7
	1978-79	4.98	2.93	(-)2.05	41.2
	1979-80	5.94	2.59	(-)3.35	56.4
(17) Dairy Development	1977-78	26.63	15.39	(-)11.24	42.2
	1978-79	21.75	16.03	(-)5.72	26.3
	1979-80	17.32	15.49	(-)1.83	10.6
(18) Social Security and Welfare	1977-78	8.74	5.20	(-)3.54	40.5
	1978-79	9.30	6.84	(-)2.46	26.5
	1979-80	11.70	21.85	(+)10.15	86.8
(19) Minor Irrigation, Soil Conservation and Area Development.	1977-78	1.80	1.78	(-)0.02	1.1
	1978-79	1.95	1.18	(-)0.77	39.5
	1979-80	2.55	3.59	(+)1.04	40.8
(20) Mines and Minerals	1977-78	0.09	0.82	(+)0.73	811.1
	1978-79	0.10	0.75	(+)0.65	650.0
	1979-80	0.11	4.51	(+)4.40	4000.0***
(21) Road and Water Transport Service.	1977-78	5.12	****	(-)5.12	..
	1978-79	5.13	5.22	(+)0.09	1.8
	1979-80	5.40	10.11	(+)4.71	87.2

In all cases except in the case of Sales Tax, Stamps and Registration Fees and Forest, the variations were in excess of ten per cent. The reasons for variation called for from Government in March 1981 are awaited (April 1981).

***The receipts are in excess over the budget estimate and it worked out to 4,000 per cent above the budget. Departmental reply to such an excess of receipts over budget estimate is awaited.

****The actual under the head was Rs. 1,244 against the budget estimate of Rs. 5.12 crores during 1977-78.

1.4. Cost of collection

The expenditure incurred during 1979-80 on the collection under the principal heads of revenue and the percentage of the cost of collection to the revenue collected during the three years 1977-78 to 1979-80 are given in Appendix I.

1.5. Arrears in assessment

The number of assessments finalised by the Irrigation and Waterways Directorate and the Electricity Directorate, assessments pending finalisation at the end of 31st March 1980 and at the end of the preceding year, as reported by the respective Directorates are indicated below :—

(a) Water rates

Year			Number of assessment for disposal	Number of assessment completed during the year	Number of assessment pending at the end of the year
1978-79	..	..	14,241	4,649	9,592
1979-80	..	..	12,929	2,493	10,436

The reasons for fall in the number of assessed cases during 1979-80 in comparison with the figures of the previous year are awaited (April 1981).

The pending cases relate to the period 1974-75 to 1979-80. The department stated (January 1981) that the yearwise break-up of the pending cases was not available with them.

(b) Electricity Duty

Year			Number of assessment for disposal	Number of assessments completed during the year	Number of assessments pending at the end of the year
1978-79	..	..	49	35	14
1979-80	..	..	147	58	89

The yearwise break-up of the pending cases as on 31st March 1980 was as follows :—

Year		Number of cases		
1973-74 to 1978-79	.. ..	..	..	14
1979-80	.. ..	..	..	75
		Total	..	89

1.6. Uncollected revenue

(a) The uncollected revenue in respect of Water rates and Electricity duty pending realisation as on 31st March 1980 and as on 31st March 1979 as reported by the respective departments amounted to Rs.18.27 crores and Rs.18.58 crores, respectively, as indicated below :—

		Outstanding as on 31st March 1980	31st March 1979
(in crores of rupees)			
(a) Water rates	.. ..	12.65	10.49
(b) Electricity duty	.. ..	5.62	8.09
Total		18.27	18.58

(b) An analysis of the revenue pending collection as on 31st March 1979 in respect of Water rates and Electricity duty as furnished by the department is given below :—

(in crores of rupees)			
(i) Water rates			
Opening balance as on 1st April 1979	..	..	10.49
Demand raised during 1979-80	—	—	2.99
Collection made during 1979-80	..	..	0.83
Balance outstanding as on 31st March 1980	..	..	12.65

The yearwise break-up of the outstanding dues was as under :—

(in crores of rupees)					
up to 1977-78	..	..	..	..	8.74
1978-79	..	..	..	..	2.26
1979-80	..	..	..	..	1.65
					<hr/>
Total	..	..	..	..	12.65
					<hr/>

The classification of the outstanding amount, as stated by the department (January 1981), was as follows :—

(in lakhs of rupees)					
(1) Amount covered by certificate proceedings as on 1st April 1980	..	..	..	..	80.05
(2) Amount held up due to stay order of the court	..	..	..	..	13.21
(3) Amount stayed by orders of various authorities	..	..	..	..	0.92
(4) Amount of demand set aside and unrealisable till re-assessment	..	..	..	..	0.02
(5) Unencumbered outstanding as on 31st March 1980	..	..	..	..	1,170.37
					<hr/>
					1,264.57
					<hr/>

or say 12.65 crores

(ii) Electricity duty

(in crores of rupees)					
Opening balance as on 1st April 1979	..	..	..	..	8.09
Demand raised during 1979-80	..	..	..	..	11.63
Collection made during 1979-80	..	..	..	..	14.10
Balance outstanding as on 31st March 1980	..	..	..	..	5.62

The yearwise break-up of the outstanding amount was as follows :—

(in lakhs of rupees)					
1973-74	..	..	..	..	6.64
1974-75	..	..	..	..	2.46
1975-76	..	..	..	..	1.66
1976-77	..	..	..	..	6.99
1977-78	..	..	..	..	10.06
1978-79	..	..	..	..	34.51
1979-80	..	..	..	..	499.48
					<hr/>
					561.80
					<hr/>

or say 5.62 crores.

(c) Figures of total 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 are awaited (April 1981). 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, checks exercised by the departments to recover the dues etc., could not be ascertained in audit.

CHAPTER II**SALES TAX****2.1. Under-assessment due to misclassification**

Sales of articles made wholly or partly of artificial or synthetic resin were taxable at the rate of 12 per cent up to 31st March 1974 and thereafter at the rate of 15 per cent under the Bengal Finance (Sales Tax) Act, 1941.

(a) In the course of audit, it was noticed (June 1980) that a dealer manufactured and sold "Nylon belting" made from nylon strips. Since "Nylon" is a variety of "artificial or synthetic resin", nylon beltings should be considered as articles made of artificial and synthetic resin. Sale of these goods amounting to Rs.7,61,063, Rs.11,59,992 and Rs.15,81,441 for the years ending December 1973, December 1974 and December 1975, respectively was, however, assessed between September 1977 and September 1979 at the rate of 6 per cent treating them as general goods instead of at the higher rate applicable on this item. This resulted in under-assessment of tax of Rs.2,51,018.

On this being pointed out in audit (June 1980), the department agreed (June 1980) to review the case.

(b) Similarly, sale of rubber mattresses was liable to tax at the rate of 12 per cent up to March 1974 and thereafter at the rate of 15 per cent under the Bengal Finance (Sales Tax) Act, 1941.

In the course of audit it was noticed (June 1980) that sale by a dealer of a special kind of rubber mattress called 'Relaxon' during the four years from January 1972 to December 1976 for Rs.9,99,191 was assessed between January 1975 and January 1980 at the rate of 6 per cent instead of at the higher rates applicable to the rubber mattress. This resulted in under-assessment of tax of Rs.69,690.

On this being pointed out in audit (June 1980), the department agreed (June 1980) to review the case. Further development is awaited (April 1981).

The above cases were reported to Government in August 1980; reply is awaited (April 1981).

2.2. Non-levy of tax on sale of 'Steam'

Under the Bengal Finance (Sales Tax) Act, 1941, sale of 'steam' is liable to tax.

In the course of audit it was noticed (August 1978) that in the assessment (July 1977) of a dealer for the year ending December 1973, sale of steam amounting to Rs.7,14,000 was not included in the gross turnover. This omission resulted in under-assessment of tax of Rs.41,293.

On this being pointed out in audit (August 1978), the department revised the assessment (January 1980). Report of realisation is awaited (April 1981).

The matter was reported to Government in November 1979; reply is awaited (April 1981).

2.3. Under-assessment due to inadmissible deduction

Under the Bengal Finance (Sales Tax) Act, 1941 as well as under the Central Sales Tax Act, 1956, deduction from sale price on account of cash discount is admissible if such discount is allowed according to ordinary trade practice. No discount other than the cash discount is, therefore, admissible.

(a) In the course of audit, it was noticed (June 1980) that deductions of Rs.4,07,316 and Rs.2,69,692 on account of discount were allowed under the two Acts on sales by a dealer for the years ending December 1975 and 1974, respectively and assessed between August 1978 and September 1979, although the amounts figured distinctly as commission paid to sole-selling agent in the printed accounts of the dealer and as such did not constitute cash discount as per ordinary trade practice. As a result of allowing this inadmissible deduction, there was under-assessment of tax of Rs.43,759.

On this being pointed out in audit (June 1980), the department agreed (June 1980) to take action.

The matter was reported to Government in September 1980; reply is awaited (April 1981).

(b) In the course of audit, it was noticed (June 1979) that in the assessment (November 1978) of a dealer for the year ending November 1974, freight allowances of Rs.31,848 and Rs.4,44,399, representing an incentive to the bulk purchaser for promoting sales, were deducted from the gross turnover under the intra-State sales and inter-State sales, respectively. The freight allowances forming part of the sale price cannot be deducted from the gross turnover of the dealer. The incorrect deduction made in the assessment resulted in an under-assessment of tax of Rs.42,186.

On this being pointed out in audit (June 1979), the department agreed (December 1979) to revise the assessments. Further developments are awaited (April 1981).

The matter was reported to Government in July 1980; reply is awaited (April 1981).

2.4. Under-assessment of tax due to mistakes in the computation of gross|taxable turnover

(i) Sale of goods in the course of inter-State sales is deducted from the gross turnover for the purpose of assessment under the Bengal Finance (Sales Tax) Act, 1941, and the entire amount so deducted is taxed separately under the Central Sales Tax Act, 1956.

In the course of audit, it was noticed (April 1980) that total inter-State sales of a dealer amounting to Rs.16,00,000 for the year ending December 1975 and deducted for assessment (September 1979) under the 1941 Act, were erroneously taken as Rs.99,000 instead of Rs.16,00,000 for the purpose of assessment under the Central Sales Tax Act, 1956. This resulted in under-assessment of tax of Rs.1,36,455.

On this being pointed out in audit (April 1980), the department admitted the mistake and agreed (June 1980) to revise the assessment. Further development is awaited (April 1981).

The matter was reported to Government in September 1980; reply is awaited (April 1981).

(ii) Under the Bengal Finance (Sales Tax) Act, 1941 as well as Central Sales Tax Act, 1956, Sales tax is determined on the basis of gross turnover less certain permissible deductions.

In the course of audit it was noticed (June 1980) that in one case gross turnover under the Central Sales Tax Act, 1956, for the year ending September 1975, was erroneously determined (assessment made in July 1979) at Rs.4,35,190 instead of at Rs.4,87,138. In another case under the Bengal Finance (Sales Tax) Act, 1941, for the year ending March 1975, gross turnover was determined (March 1979) by taking the canteen sale at Rs.2.37,122 instead of at Rs.3,37,122. Short determination of gross turnover in these two cases resulted in under-assessment of tax aggregating Rs.13,012.

On this being pointed out in audit (April 1980 and June 1980), the department admitted the mistake and agreed (May 1980 and June 1980) to revise the assessments.

The matter was reported to Government in September 1980; reply is awaited (April 1981).

(iii) In the assessment (November 1978) of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the year ending December 1974, it was noticed in audit (May 1979) that although only a sum of Rs.1,99,32,524 was allowed in the assessment order on account of exempted goods, tax was assessed after deduction from the gross turnover a sum of Rs.2,01,82,524 representing sales of such exempted goods. The excess deduction from the gross turnover resulted in short levy of tax and surcharge of Rs.15,120.

On this being pointed out in audit (May 1979), the department agreed (June 1979) to review the matter. Further developments are awaited (April 1981).

The matter was reported to Government in November 1980; reply is awaited (April 1981).

2.5. 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 the Government and registered dealers in the course of inter-State trade are taxable at concessional rates of 3 per cent up to 30th June 1975 and 4 per cent thereafter provided such claims are supported by declarations in the prescribed forms obtained from purchasing dealers. Since Government undertakings and statutory bodies are not considered as Government department, sales made to them will attract tax at the rate of 10 per cent.

In the course of audit, it was noticed (July 1980) that sales made by a dealer to local|corporate bodies aggregating to Rs.47,81,847 for the years ending December 1974 and 1975 were assessed in February 1976 and May 1979, respectively, at the concessional rate of tax instead of at the rate of 10 per cent. This resulted in under-assessment of tax of Rs.2,71,637.

The matter was reported to the department and Government in August 1980; reply is awaited (April 1981).

2.6. Non-levy of tax on sales to registered manufacturer of notified commodities

Under the Bengal Finance (Sales Tax) Act, 1941, sales to a registered dealer of goods required directly for the manufacture of notified commodities were exempt from tax up to 6th April 1975, subject to production of prescribed forms. With effect from 7th April 1975, however, tax at the rate of one per cent together with surcharge of ten per cent thereof was leviable on such sales.

In the course of audit, it was noticed (June 1978) that in the assessment (January 1978) of a dealer for the year ending Kartik Bodi 2032 (1974-75), sales of goods of Rs.12,82,355 to registered manufacturing dealers of notified commodities against prescribed forms, transacted after 7th April 1975 were not charged to tax. This resulted in non-levy of tax of Rs.13,965.

On this being pointed out in audit (June 1978), the department stated (June 1980) that the case was under appeal and the matter would be brought to the notice of appellate authority at the time of hearing. Further development is awaited (April 1981).

The matter was reported to Government in October 1978; reply is awaited (April 1981).

2.7. Under-assessment due to exclusion from turnover of sales not directly exported

Sale in the course of export of goods out of India, as defined under the Central Sales Tax Act, 1956, is not liable to Sales Tax. Where, however, the goods are sold to an intermediary and not directly exported, such sale can not be deemed as sale in the course of export within the meaning of the Act *ibid* and is, therefore, liable to tax under the Bengal Finance (Sales Tax) Act, 1941, or Central Sales Tax Act, 1956 as the case may be. From 1st April 1976 onwards, as a result of an amendment, the last sale of any goods preceding the sale occasioning the export of the goods is deemed to be sale in the course of export and hence excluded from the purview of sales tax.

(i) It was noticed in the course of audit (May 1980) that a dealer sold goods valued at Rs.82,74,502 during the year ending March 1975 to a private party who subsequently exported these goods out of India. In the assessment (February 1979) of the dealer under the Central Sales Tax Act, 1956, for the year ending March 1975, the sale of Rs.82,74,502 was treated as a sale in the course of export and excluded from tax although the sale itself took place between two dealers within the State relating to the pre-amendment period and did not result in immediate export of the goods. Exclusion of this sale from the assessable turnover resulted in under-assessment of tax of Rs.5,16,080.

On this being pointed out in audit (May 1980), the department accepted the audit objection (December 1980) and stated that the case was under appeal and proposal for revision of the assessment was being made to the appellate authority. Further developments are awaited (April 1981).

The matter was reported to Government in September 1980; reply is awaited (April 1981).

(ii) In the course of audit, it was noticed (April 1977) that a dealer in Calcutta sold goods valued Rs.2,71,343 between July 1971 and June 1972 to as many as 20 private parties who subsequently, sold those goods to foreign buyers. In the assessment (June 1976) of the dealer, these transactions were irregularly determined as sales in the course of export and exempted from tax. But these sales were not in the course of export of the goods out of the territory of India as (i) the sales were not the immediate cause of export (ii) there were two independent sales—the first between the dealer and the licensed exporters and the second between the licensed exporters and the foreign buyers and prior to amendment (1st April 1976) only sales to foreign buyers were exempted. These irregular exemptions resulted in non-levy of tax of Rs.24,668.

On this being pointed out in audit (April 1977), the department agreed (June 1980) to revise the assessment; further developments are awaited (April 1981).

The matter was reported to Government in February 1978; reply is awaited (April 1981).

2.8. Under-assessment due to incorrect computation of tax

(i) In the assessment (March 1980) of a dealer under the Central Sales Tax Act, 1956, for the year ending March 1976, out of the total turnover taxable at varying rates, Rs.2,20,99,407 was determined as taxable at the rate of 10 per cent. but was erroneously computed at Rs.2,20,941 instead of Rs.22,09,941. This resulted in under-assessment of tax of Rs.19,89,000.

On this being pointed out in audit (July 1980), the department admitted the mistake and agreed (July 1980) to revise the assessment. Further development is awaited (April 1981).

The matter was reported to Government in August 1980; reply is awaited (April 1981).

(ii) In the assessment (July 1979) of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the year ending July 1975, while the tax leviable on different commodities at the appropriate rates was correctly worked out, the total tax payable was computed at Rs.3,68,463 instead of at Rs.4,68,463. This error in totalling resulted in under-assessment of tax and surcharge of Rs.1,10,000,

The matter was reported to Government in October 1980; reply is awaited (April 1981).

(iii) In the assessment (October 1979) of a dealer under the Central Sales Tax Act, 1956, for the year ending October 1975, an amount of Rs.1,44,591 being freight and delivery charges was deducted from the gross turnover of Rs.1,08,45,531. After deduction, the taxable turnover was wrongly computed at Rs.97,00,940 instead of at Rs.1,07,00,940. This resulted in under-assessment of tax of Rs.90,909 calculated at the general rate of 10 per cent applicable in respect of inter-State sales.

On this being pointed out in audit (April 1980), the department admitted the mistake and agreed (May 1980) to revise the assessment. Further development is awaited (April 1981).

The matter was reported to Government in August 1980; reply is awaited (April 1981).

(iv) Under the Bengal Finance (Sales Tax) Act, 1941, from 1st February 1972 sales of goods other than declared goods made to the registered dealers are taxable at 1 per cent and with effect from 20th April 1974 surcharge including additional surcharge at 10 per cent is also leviable on the total amount of tax payable by the dealer when the gross turnover exceeds Rs.5,00,000 during a year.

(a) In the course of audit it was noticed (September 1979) that in the assessment (March 1979) of a dealer for the year ending March 1975, the taxable turnover from 20th April 1974 to 31st March 1975 was worked out by the assessing officer to Rs.8,79,61,809 due to mistake in computation, instead of Rs.9,79,61,809 resulting in short levy of tax (including surcharge and additional surcharge) of Rs.1,10,000.

On this being pointed out in audit (September 1979), the department agreed (October 1979) to revise the assessment.

(b) In the assessment (March 1979) of another dealer for the year ending March 1975, the gross turnover was assessed at Rs.5,50,00,000. While computing tax the assessing officer took the turnover at Rs.5,20,00,000 resulting in under-assessment of tax due to the extent of Rs.87,525.

On this being pointed out in audit (August 1979), the department agreed (August 1979) to review the assessment.

The cases were reported to Government in June 1980; reply is awaited (April 1981).

(v) 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.

(a) In the course of audit it was noticed (August 1979) that in an assessment (March 1979) of a dealer for the year ending March 1975, total amount of sales tax payable excluding surcharge was assessed by the Commercial Tax Officer at Rs.8,39,215. The dealer had paid a tax of Rs.6,48,106. The Commercial Tax Officer wrongly worked out tax liability on account of surcharge and special surcharge to Rs.19,110 (i.e. 10 per cent of Rs.8,39,215—Rs.6,48,106) instead of at 10 per cent of Rs.8,39,215. This incorrect calculation resulted in short levy of tax of Rs.64,810.

On this being pointed out in audit (August 1979), the department agreed (August 1979) to review the case. Further developments are awaited (April 1981).

The matter was reported to Government in June 1980; reply is awaited (April 1981).

(b) In the assessment (January 1980) of a dealer under the Act *ibid* for the year ending March 1976, surcharge and additional surcharge amounting to Rs.14,328 was payable in addition to the tax of Rs.1,43,279. It was, however, found that the tax liability including surcharge and additional surcharge of the dealer was worked out at Rs.1,28,951 in the assessment order after erroneously deducting Rs.14,328 from the sum of Rs.1,43,279 representing the tax. This resulted in under-assessment of tax of Rs.28,656.

On this being pointed out in audit (May 1980), the department admitted (May 1980) the mistake. Further developments are awaited (April 1981).

(c) In the course of audit, it was noticed (July 1980) that in the assessment (May 1979) of a dealer for the year ending Chait Sudi 2033 (1975-76), with gross turnover exceeding rupees five lakhs, surcharge and additional surcharge at the aggregate rate of 10 per cent of tax of Rs.2,22,794 was erroneously worked out at Rs.2,228 instead of at Rs.22,279. This resulted in short levy of surcharge and additional surcharge of Rs. 20,051.

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

The matter was reported to Government in September 1980; reply is awaited (April 1981).

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

(i) Under the Bengal Finance (Sales Tax) Act, 1941, the rate of tax on motor vehicles and motor scooters was enhanced from 12 per cent to 15 per cent with effect from 1st April 1974.

In the course of audit it was noticed (January 1980) that in the assessment (October 1978) of a dealer for the year ending December 1974, turnover of Rs.7,16,640 representing sale of motor vehicles and motor scooters effected during quarter ending 30th June 1974 was incorrectly assessed to tax at 12 per cent instead of at the enhanced rate of 15 per cent. This resulted in under-assessment of tax of Rs.17,855.

On this being pointed out in audit (January 1980), the department agreed (January 1980) to look into the matter. Further development is awaited (April 1981).

The matter was reported to Government in August 1980; reply is awaited (April 1981).

(ii) Under the Bengal Finance (Sales Tax) Act, 1941, sales of articles made wholly or principally of stainless steel were taxable at the rate of 12 per cent up to March 1974 and thereafter at the rate of 15 per cent.

In the course of audit, it was noticed (August 1977) that a dealer manufactured and sold stainless steel articles of various types made wholly or principally of stainless steel. Sale of these goods amounting to Rs.2,02,013 for the year ending December 1974 was, however, assessed in January 1977 at the rate of 6 per cent treating them as general goods instead of at the higher rates applicable to such item. This resulted in under-assessment of tax of Rs.14,062.

On this being pointed out in audit (August 1977), the department revised the assessment (October 1979) and raised additional demand of Rs.14,062 (November 1979). Report of realisation is awaited (April 1981).

The matter was reported to Government in August 1978; reply is awaited (April 1981).

2.10. Non-levy of tax and penalty on sale of goods

Under the Bengal Finance (Sales Tax) Act, 1941 and the rules made thereunder, a registered dealer is entitled to purchase certain materials|goods for use directly in the manufacture in West Bengal, of goods for sale or for resale within the State at concessional rate of tax or free of tax as the case may be, on furnishing requisite declaration in the prescribed forms. If the materials|goods so purchased are not used by him directly in the manufacture of goods in West Bengal for sale, or for resale in West Bengal, the dealer shall be liable to a penalty of a sum not exceeding double the amount of tax which could have been levied under the Act after due formalities.

(a) In the course of audit, it was noticed (May 1980) that in the assessment (December 1979) of a dealer in paints and chemicals for the year ending March 1976, sale of raw materials for Rs.5,98,049 and containers for Rs.38,798 aggregating to Rs.6,36,847 was not included in the gross turnover. This resulted in non-levy of tax and surcharge of Rs.39,720.

The raw materials sold by the dealer in the aforesaid case were purchased by him at concessional rate admissible under the Bengal Finance (Sales Tax) Act, 1941 for the purpose of direct use in the manufacture of goods for sale. The sale of raw materials for Rs.5,98,049 without using them in the manufacture of goods was an abuse of the concession and attracted penalty not exceeding Rs.74,600 under the Act *ibid*. But the department did not levy any penalty in this case.

On this being pointed out in audit (May 1980), the department admitted the mistakes and agreed to review the case (May 1980). Further developments are awaited (April 1981).

The matter was reported to Government in October 1980; reply is awaited (April 1981).

(b) In the assessment (November 1978) of a registered dealer for the year ending December 1975, it was noticed in audit (June 1979) that schedule II goods worth Rs.2,99,348 purchased by the dealer free of tax, were transferred to his branch outside the State. A maximum penalty of Rs.64,146 could be levied in this case on the dealer for having diverted the goods to other purpose instead of selling in West Bengal.

The case was reported to Government in July 1980; reply is awaited (April 1981).

2.11. Short levy of tax due to allowance of excess credit

Under the Bengal Finance (Sales Tax) Act, 1941, a dealer shall furnish returns of sales along with treasury challans showing the deposit of the amount of tax due from him on the basis of returns. The amount so deposited by the dealer is adjusted against the tax assessed at the time of final assessment.

In the course of audit, it was noticed (June 1980) that in the assessment (October 1978) of a dealer for the year ending December 1974, the tax including penalty was determined at Rs.20,66,562. The dealer deposited a sum of Rs.20,00,263 at the time of submission of returns. While raising net demand against the dealer, a tax deposit of Rs.20,45,263 was taken as deposited instead of the correct amount of Rs.20,00,263. This resulted in short levy of tax of Rs.45,000.

On this being pointed out in audit (June 1980), the department admitted the mistake and agreed (June 1980) to revise the assessment. Further developments are awaited (April 1981).

The matter was reported to Government in September 1980; reply is awaited (April 1981).

2.12. Over-assessment due to incorrect computation of tax

In the course of audit of the assessment records under the Bengal Finance (Sales Tax) Act, 1941 the following instances of overcharge of tax were noticed :—

(i) In an assessment (March 1979) of a dealer for the year 1381 B.S. (1974-75), tax at the rate of 6 per cent on a turnover of Rs.23,27,671 was wrongly calculated at Rs.1,71,979 instead of Rs.1,31,979 after allowing statutory deductions. This resulted in over-charge of tax and surcharge to the tune of Rs.44,000.

On this being pointed out in audit (June 1979), the department agreed to revise the assessment (June 1979). Further developments are awaited (April 1981).

(ii) In the assessment (March 1979) of a dealer for the year ending Chait Sudi 2032 (1974-75), the tax at the rate of 6 per cent on a turnover of Rs.29,22,732 was erroneously computed at Rs.1,75,719 instead of Rs.1,65,719 after allowing statutory deductions, which resulted in an over-assessment of tax and surcharge of Rs.11,000. In addition, while working out the total, the figure was erroneously inflated by an amount of Rs.2,000. The total overcharge thus amounted to Rs.13,000.

On this being pointed out in audit (June 1979), the department admitted the mistake and agreed to review the case (June 1979). Further developments are awaited (April 1981).

(iii) In the assessment (June 1978) of a dealer for the year ending September 1974, tax on a turnover of Rs.2,09,608 was charged although the amount represented sale in course of inter-State sale and was assessed to tax separately under the Central Sales Tax Act, 1956. This mistake resulted in overcharge of tax and surcharge of Rs.12,479.

On this being pointed out in audit (November 1979), the department admitted the mistake and agreed to review the case (November 1979). Further developments are awaited (April 1981).

The cases were reported to Government between September 1978 and September 1980; reply is awaited (April 1981).

CHAPTER III
LAND REVENUE

3.1. Short realisation of Road Cess and Public Works Cess

Under the Cess Act, 1880, road cess and public works cess are leviable at the prescribed rates on the annual value of land.

In the course of audit of the *Touzi* accounts of Jalpaiguri district, it was noticed (February 1979) that the annual value of land in a tea estate retained by the intermediary under the provisions of the West Bengal Estate Acquisition Act, 1953, was computed (April 1973) at Rs.12,673. The road cess and public works cess realisable on this basis for the period from 1362 BS (1955-56, i.e., the date of vesting) to 1384 BS (1977-78) at the prescribed rates worked out to Rs.32,222, against which Rs.2,839 only were recovered resulting in a short realisation of Rs.29,383.

On this being pointed out in audit, the department agreed (February 1979) to recover the amount short realised. Further developments are awaited (April 1981).

The matter was reported to Government in October 1980; reply is awaited (April 1981).

3.2. Non-recovery of increased rent

Under the West Bengal Land Reforms Act, 1955, a raiyat holding lands exceeding 1.214 hectares in an irrigated area, shall, with effect from 1st Baisakh 1379 B.S. (14th April 1972), pay rent at thrice the rate prevailing at the end of 1378 B.S.

In the course of audit it was noticed (December 1978—January 1979) in 2 circles in Midnapore district that by notification dated 22nd September 1977 of the Irrigation and Waterways Department, 27 *mouzas* were declared irrigated but rent in respect of the irrigated areas was assessed at twice the rate instead of thrice the rate from 22nd September 1977 to 31st March 1978 resulting in short levy of rent of Rs.17,283.

On this being pointed out in audit (December 1978—January 1979), the department stated (January 1979) that assessment at the enhanced rate had not been made due to non-receipt of the notification.

The matter was reported to Government in July 1980; reply is awaited (April 1981).

3.3. Non-levy of surcharge and rural employment cess

Under the provisions of the West Bengal Rural Employment and Productions Act, 1976, surcharge on land revenue shall be levied and collected annually with effect from 1st April 1976 at the rate of 30 per cent of revenue under the West Bengal Land Reforms Act, 1955, in respect of holdings situated in irrigated areas and 15 per cent of such revenue in respect of holdings situated in non-irrigated areas. Rural Employment cess at the rate of 30 paise per rupee of annual value of the land as assessed under the Cess Act, 1880 shall also be levied from 1st April 1976. No surcharge and rural employment cess are, however, payable by raiyats exempted from payment of rent under the West Bengal Land Reforms Act, 1955.

In the course of audit (January—February 1979) it was noticed in eight circles in Jalpaiguri District that surcharge and rural employment cess had been levied and realised with effect from 1383 B.S. (from 14th April 1976) instead of 1st April 1976 resulting in non realisation of surcharge and rural employment cess of Rs.26,993 pertaining to the period from 1st April to 13th April 1976.

Similar mention was also made in paragraph 3.20 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1977-78.

The matter was reported to Government in April 1980; reply is awaited (April 1981).

3.4. Non-assessment of Surface rent

Under the West Bengal Minor Minerals Rules, 1959 as further amended in 1973, a lessee is required to pay surface rent at the rates specified in the lease agreement. All cesses in respect of the leased area are also payable by him. In case of arrear dues, interest at the rate of 6 per cent per annum shall be leviable.

In the course of audit it was noticed (December 1979—January 1980) in 6 circles in a district that surface rent and cess in 20 cases of lease of minor minerals were not realised from the lessees for the period from 1972 to 1979. Total amount of surface rent (including cesses and interest) realisable worked out to Rs.15,788.

On this being pointed out in audit (December 1979—January 1980), the department agreed (December 1979—January 1980) to realise the dues from the lessees concerned. Further developments are awaited (April 1981).

The matter was reported to Government in August 1980; reply is awaited (April 1981).

3.5. Non-levy of royalty on extraction of minor minerals

Under the West Bengal Minor Minerals Rules, 1973, promulgated on 30th January 1974, the prescribed rate of royalty on all minor minerals is Rs.4,935 per 100 cft. In case of unauthorised extraction of minor minerals, a person shall be punishable with imprisonment for a term which may extend to six months or with a fine of Rupees One thousand or both.

(a) In course of audit it was noticed (January 1979) in one circle of Jalpaiguri district that minor minerals (Sand, Shingles) to the extent of 2,13,600 cft were extracted unauthorisedly in three tea gardens during the period between 1974-75 and 1976-77. Neither any action for assessment of royalty, nor penal action as required under rules had been taken. The amount of royalty thus involved for such extraction was Rs.10,541 apart from a maximum fine of Rs.3,000 in the three cases.

On this being pointed out in audit (January 1979), the department agreed (January 1979) to realise royalty by issuing demand notice. Further development is awaited (April 1981).

The matter was reported to Government in April 1980; reply is awaited (April 1981).

(b) In another case it was noticed (January 1980) in audit in one circle of Bankura district that a quantity of 39,59,000 cft of sand was reported to have been extracted during November 1978 to June 1979. The unauthorised extraction of the aforesaid quantity was established on the basis of spot enquiry, made by the officials of the circle and the fact was reported by the District Authority to Government (August 1979). The royalty due to Government for this extraction worked out to Rs.1,95,376 but the amount could not be realised as the department failed to detect the persons who extracted the mineral (sand).

On this being pointed out in audit (January 1980), the department stated (January 1980) that no action was taken as it could not be ascertained who actually extracted the minerals and added that such unauthorised extraction could not be checked in the absence of provisions for spot verification.

The matter was reported to Government in June 1980; reply is awaited (April 1981).

CHAPTER IV

TAXES ON VEHICLES

4.1. Loss of revenue due to delay in fixation of bus stand fee

Under the Bengal Motor Vehicles Rules, 1940, as amended on 14th June 1976, such fee as is deemed fair and reasonable shall be charged by the District Magistrate from the owners of public service vehicles for using a bus stand notified by him.

In the course of audit (March 1980) it was noticed that a bus stand at Champadali (Barasat) in 24-Parganas district had been notified as bus stand from 3rd March 1976. The fee at the rate of Re.1 per day per bus to be realised from owners of the public service vehicles was fixed with effect from 19th November 1979. It was seen from the records of the registering authority that 165 public service vehicles used the bus stand during the period between 14th June 1976 and 18th November 1979 prior to date of fixation of bus stand fee. Owing to delay in fixation of fee, no demand could be raised against the owners of vehicles between 14th June 1976 and 18th November 1979. This resulted in loss of revenue of Rs.1.99 lakhs. The department stated (July 1980) that the delay in fixation of bus stand fee was due to late receipt (August 1979) of Government order.

It was further noticed (March 1980) that bus stand fee chargeable for the period between 19th November 1979 and March 1980 amounting to Rs.22,110 in respect of the above buses using the bus stand was also neither demanded nor realised

On this being pointed out in audit (March 1980), the department stated (July 1980) that effective steps for issuing demand notices had been taken. Further developments are awaited (April 1981).

The matter was reported to Government in September 1980; reply is awaited (April 1981).

4.2. Short recovery of road tax due to application of incorrect rate

Under the West Bengal Motor Vehicles Tax Act, 1979, every owner of a registered motor vehicle or every person who owns or keeps in his possession or control any motor vehicle, shall pay tax on such vehicle at the rate specified in the schedule, which came into force with effect from 1st June 1979.

In the course of audit of the records of two regions, it was noticed (May—July 1980) that road tax in respect of 58 vehicles was not realised at the revised rate during the period from September 1979 to May 1980. This resulted in short realisation of tax of Rs.15,952.

On this being pointed out in audit (May and July 1980), the department admitted the mistake and agreed (June and July 1980) to realise the due tax. Further developments are awaited (April 1981).

The matter was reported to Government in November 1980; reply is awaited (April 1981).

4.3. Non-levy of penalty in case of delayed payments

Under the Bengal Motor Vehicles Tax Act, 1932, as revised by the West Bengal Motor Vehicles Tax Act, 1979, road tax in respect of the registered motor vehicles shall be paid within the prescribed period as determined by the taxing officer. In case of delay in making payments by the registered owners of vehicles after the expiry of the prescribed period, penalty at various rates from one quarter of tax to full tax, according to duration of delay, is payable.

In the course of audit in two regions it was noticed (May—October 1980) that penalty at the prescribed rates was not levied and realised in respect of 61 motor vehicles for delay in making payments. This resulted in non-realisation of penalty to the extent of Rs.13,736.

On this being pointed out in audit (May and October 1980), the department stated (May and October 1980) that necessary action for realisation of penalty would be taken. Further developments are awaited (April 1981).

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

4.4. Non-realisation of arrear road tax on change of ownership of vehicles

Under the Bengal Motor Vehicles Tax Act, 1932, the owner of the vehicle is liable to pay tax for the period for which the vehicle is used or kept for use by him. The Bengal Motor Vehicles Tax Act, 1932, was repealed by the West Bengal Motor Vehicles Tax Act, 1979, which came into force from 1st June 1979. This Act provides that, in the case of transfer of ownership of vehicles, the person to whom the ownership of the vehicle has been transferred shall be liable to pay the arrear tax provided that nothing contained in the Act shall be deemed to affect the liability to pay the said tax by the transferer. In order to ensure realisation of the arrear tax relating to a transferred vehicle expeditiously, it is necessary that the registering authority should furnish the full particulars of the transferred vehicles to the tax collecting authority.

In the course of audit in a region it was noticed (May 1980) that the transfer of ownership of six transport vehicles was effected and changes of registration marks of the vehicles were also made by the registering authority between May 1979 and April 1980. No demand for realisation of arrear tax amounting to Rs.10,555 was raised against either transferer or transferee of the vehicles.

On this being pointed out in audit, the tax collecting authority stated (July 1980) that no demand was raised as they were not intimated by the registering authority about the transfer of ownership and change in the registration mark of the vehicles. They, however, agreed (September 1980) to issue demand notices against the registered owners of the vehicles. This indicated that the collecting authority not only failed to recover the arrears for the periods in question from the previous owners of the vehicles but also could not issue demand notices even after change of ownership due to lack of co-ordination in different wings of the department.

The matter was reported to Government in September 1980; reply is awaited (April 1981).

4.5. Under-assessment of tax due to incorrect determination of laden weight

Under the West Bengal Motor Vehicles Tax Act, 1979, road tax in respect of goods vehicles is levied on the basis of the maximum safe laden weight.

On 31st August 1979, Government enhanced the maximum safe laden weight from 125 per cent to 150 per cent of the gross vehicle weight certified by the manufacturer or 17,800 kg, whichever is less, in respect of goods vehicles of 1963 and later models of all makes excluding goods vehicles plying in Eastern zone under the national permit scheme.

In the course of audit in a region, it was noticed (July 1980) that maximum safe laden weight of nine goods vehicles registered between September 1979 and 2nd November 1979 had not been fixed according to the revised principles laid down by Government in

August 1979. Incorrect fixation of maximum safe laden weight of the vehicles resulted in under-assessment of tax to the tune of Rs.12,120.

On this being pointed out in audit (July 1980), the department stated (July 1980) that the relevant Government order was received on 14th November 1979 and that the correct laden weight could not be fixed from the appointed date. The department also agreed (July 1980) to take necessary action to revise the laden weight incorrectly fixed earlier. Further development is awaited (April 1981).

The matter was reported to Government in November 1980; reply is awaited (April 1981).

CHAPTER V

MINES AND MINERALS

5.1. Under-assessment of road cess on annual despatch of coal

Under the Cess Act, 1880, as amended, the road cess shall be assessed in respect of coal mines on annual despatches of coal therefrom at the rate to be determined for each year. The rate of cess was enhanced to 50 paise from 25 paise per tonne of coal, from 1381 B.S. (1974-75).

In the course of audit of the assessment cases in the office of the Cess Deputy Collector, Asansol, it was noticed (October 1980) that road cess was assessed at the old rate of 25 paise per tonne on the total quantity of coal aggregating 3,62,37,610 tonne despatched during the years 1381 B.S. (1974-75) and 1382 B.S. (1975-76). This resulted in short assessment of road cess of Rs.90,59,402.

On this being pointed out in audit (October 1980), the department admitted the mistake and stated (November 1980) that the short realisation was due to late receipt of Government order. Further development is awaited (April 1981).

The matter was reported to Government in December 1980; reply is awaited (April 1981).

5.2. Non-levy of interest on delayed payments

Under the provisions of Mines and Minerals (Regulation and Development) Act, 1957, the Central Government was required to frame (by notification in the official Gazette) rules for regulating the grant of prospecting licences and mining leases in respect of minerals and for purposes connected therewith. The Mineral Concession Rules, 1960 framed accordingly by the Central Government, *inter alia* stipulated that a lessee shall pay dead rent, fines, fees or other charges as may be fixed by the State Government from time to time. In terms of notification dated 20th August 1976, the Central Government empowered the State Governments to fix the date of payment of rents, royalties, fees and other sums due to the State Governments under the Act or under the Mineral Concession Rules, 1960 or under terms and conditions of any prospecting licence or mining lease. In case of default in any payment within the due dates, the State Governments were further empowered to charge, without prejudice to the provisions contained in the Act or any other rule in the Mineral Concession Rules, 1960, simple interest at the rate of 10 per cent per annum from the 60th day of the expiry of the date to be fixed by the State Government for payment of such royalty, rent, etc.

(a) The State Government issued the required directive only on 16th January 1979, fixing the first day of April, July, October of each year and January of the next following year for payment of the various dues by quarterly instalments and also for payment of interest payable on the outstanding dues. Due to such delay in the issue of notification by Government for more than two years, interest to the extent of Rs.25 lakhs on the outstanding dues of Rs.124 lakhs could not be levied and was lost to Government.

(b) Further in the course of audit of records in the three subdivisional land reforms offices in Burdwan, Birbhum and Purulia districts, it was noticed (August 1980) that the stipulated interest was not levied on the dues outstanding even after the expiry of 60 days from the prescribed due dates for payments. Interest leviable on the outstanding dues varying from Rs.253.98 lakhs to 19.76 lakhs during the quarterly periods fixed from April 1979 to July 1980, worked out to Rs.24.90 lakhs.

On this being pointed out in Audit, the department stated (September 1980) that interest could not be levied in these cases due to non-receipt of Government orders. The department, however, agreed (September 1980) to levy interest on the outstanding dues and to issue demand notices against the defaulting parties. Further developments are awaited (December 1980).

The matter was reported to Government in December 1980; reply is awaited (April 1981).

5.3. Under-assessment of royalty due to application of incorrect rates

In terms of notification issued by the Government of India in July 1975, royalty on coking coal Group I, II, III and IV is leviable at the rate of Rs.5, Rs.4.50, Rs. 4 and Rs.3.50 respectively per tonne in respect of coal despatched|consumed, from the leased area.

In the course of audit in a mining office in a district, it was noticed (September 1980) from the monthly returns that a colliery despatched 26,746 tonnes and 48,267 tonnes of coking coal Group I and Group II, respectively between August 1979 and March 1980. Royalty at the rate of Rs.4 instead of Rs.5 per tonne and at the rate of Rs.3.50 instead of Rs.4.50 per tonne was assessed treating Group I and Group II as Group III and Group IV coal, respectively. The incorrect application of rates in the assessment resulted in short assessment of royalty of Rs.75,013.

On this being pointed out in audit (September 1980), the department revised the assessment and raised the additional demand on the collecting authority for realisation. Further development is awaited (April 1981).

These under-assessments could have been detected by the department itself if there was a system of internal audit check in the department.

The matter was reported to Government in December 1980; reply is awaited (April 1981).

5.4. Under-assessment of royalty due to acceptance of incorrect returns

Under the Mines and Minerals (Regulation and Development) Act, 1957, as amended, royalty in respect of any mineral is assessed by the Mining Officer after satisfying himself as to the correctness of the figures furnished by the lessees in the returns. There are, however, no departmental instructions/guidelines as to the mode of check to be exercised by the Mining Officer before accepting a return.

In the course of scrutiny of the monthly returns of five collieries in the office of the Chief Mining Officer, Asansol, it was noticed (September 1980) that there was short account of coal to the extent of 25,155.60 tonnes in the monthly return relating to five collieries for the periods between October 1975 and September 1979 as the closing balances in certain months were not correctly worked out or brought forward. This resulted in short levy of royalty of Rs.1,00,370 in the aggregate.

On this being pointed out in audit (August and September 1980), the department revised (September 1980) the assessment in respect of three collieries and raised additional demand of Rs.69,672. Particulars of realisation are awaited (December 1980). In respect of the remaining two collieries the department stated (September 1980) that re-assessment would be made. Further development is awaited (April 1981).

The matter was reported to Government in December 1980; reply is awaited (April 1981).

5.5. Non-assessment of dead rent in respect of closed mines

Under the Mines and Minerals (Regulation and Development) Act, 1957, as amended, the holders of a mining lease, granted before or after commencement of the Act, shall pay dead rent for the leased area on a sliding scale from Rs.12.50 per hectare to Rs.37.50 per hectare per year with reference to the age of lease.

In the course of test audit of the assessment records in the office of the Chief Mining Officer, Asansol, it was noticed (September 1980) that no assessment of dead rent had been made in respect of

15 closed collieries having an area of 1168.95 hectares in Burdwan District relating to various periods between April 1977 and April 1980. This resulted in non-realisation of dead rent to the extent of Rs.66,620.

On this being pointed out in Audit (September 1980), the department stated (November 1980) that necessary steps for assessment of dead rent would be taken. Further development is awaited (April 1981).

The matter was reported to Government in December 1980; reply is awaited (April 1981).

5.6. Non-levy of royalty on coal consumed in colliery

Under the Mines and Minerals (Regulation and Development) Act, 1957, the holder of a mining lease is liable to pay royalty at the prescribed rate for any mineral consumed by him or his agent, manager, employees from the leased area. However, coal consumed by the workmen up to one third of a tonne per month is exempted from payment of royalty. Government also issued instructions (January 1978) that no exemption would be allowed if the particulars regarding the number of workmen engaged are not furnished by the lessees.

In the course of audit of assessment records of the Chief Mining Officer, Asansol, it was noticed (August 1980) that two collieries showed 12180 tonne of grade II coal and 2600 tonne of selected grade II coal, respectively as consumed by their workmen between April 1979 and March 1980. Exemption of royalty on the aforesaid quantities of coal was allowed though in their returns the collieries had not furnished particulars of the number of workmen engaged. This resulted in non-levy of royalty of Rs.54,330.

On this being pointed out in audit (August 1980), the department agreed (September 1980) to revise the assessments. Further development are awaited (April 1981).

The matter was reported to Government in December 1980; reply is awaited (April 1981).

5.7. Non-assessment of rural employment cess on coal

Under the West Bengal Rural Employment and Production Act, 1976, rural employment cess is leviable at the rate of 50 paise on each tonne of coal despatched annually from coal mines with effect from 1st April 1976. The rate of cess was enhanced from 50 paise to Rs.2.50 from 1st April 1978.

In the course of audit of assessment of cess records in a district, it was noticed (August 1980) that a colliery despatched 49,220 tonnes of coal during the period between 1st April 1976 and 31st December 1979. But the cess was not levied on the above quantity of coal despatched by the colliery. This resulted in non-assessment of cess of Rs.40,840.

On this being pointed out in audit (August 1980), the department agreed (August 1980) to assess and realise the cess not levied earlier. Further development is awaited (April 1981).

The matter was reported to Government in December 1980; reply is awaited (April 1981).

5.8. Determination of lease without realisation of arrear dues

Under the Mineral Concession Rules, 1960, a lease may be determined by a lessee on a notice being given in writing to the competent authority, for not less than twelve calendar months and on clearance of all dues under the lease.

In the course of audit it was noticed (September and October 1980) that a lease was granted to a person for 20 years with effect from 27th November 1962 in respect of a fire clay mine in Burdwan District having an area of 120 hectares. In order to determine the lease right, the lessee issued on 19th October 1968 a notice to the department, which was received in the department on 24th October 1968. In December 1979, i.e., after a lapse of 11 years, the department determined the lease to be effective from October 1969 with the condition that the party should clear up all outstanding dues payable to the Government up to 24th October 1969 and deliver the leasehold land immediately. The department took possession of the leasehold land in July 1980 but the demand for the outstanding dues of Rs.29,076 was raised only in September 1980 at the instance of audit. Further development is awaited (April 1981).

The matter was reported to Government in December 1980; reply is awaited (April 1981).

CHAPTER VI

OTHER TAX AND NON-TAX RECEIPTS**A—Agricultural Income Tax****6.1. Under-assessment of tax due to irregular deductions**

Under the Bengal Agricultural Income Tax Act, 1944, taxable agricultural income of an individual assessee is determined after allowing deductions both on account of rent actually paid by him and expenditure incurred on cultivation including transportation charges etc., equal to fifty per cent of the market value of the produce raised from such a land.

In the course of audit of an Agricultural Income Tax Officer, Berhampore Range, it was noticed (March 1980) that taxable income of an individual assessee for the assessment years 1976-77 and 1977-78 was determined after deducting rent aggregating Rs.13,760 which was not actually paid, and transportation charges aggregating Rs.6,960 over and above the deductions of fifty per cent of the value of produce. These irregular deductions resulted in under-assessment of tax of Rs.10,360.

On this being pointed out in audit (March 1980), the department agreed (March 1980) to review the case. Further developments are awaited (April 1981).

The matter was reported to Government in September 1980; reply is awaited (April 1981).

B—Registration Fees and Stamp Duties**6.2. Loss of revenue due to excess allowance of discount to the licensed stamp vendors**

Under the Government notification dated 2nd March 1976, the rate of discount allowable to a licensed stamp vendor for selling to him non-judicial impressed stamp papers was fixed at the rate of 3.65 per cent in Sadar and sub-divisional towns and 4.70 per cent at other places.

In the course of audit of non-judicial stamp accounts of a sub-treasury in Murshidabad district, it was noticed (October 1980) that a Sadar licensed stamp vendor was allowed discount at a rate ranging from 4.09 to 4.43 per cent during the period from January 1979 to March 1980. This resulted in excess allowance of discount of Rs.10,240.

On this being pointed out in audit (October 1980), the local office stated (October 1980) that the matter was being referred to Government, for clarification. Further developments are awaited (April 1981).

The matter was reported to Government in November 1980; reply is awaited (April 1981).

C—Entry Tax

6.3. Under-assessment due to misclassification of iron sleeper

In terms of notification issued by the Government in April 1979 under the Taxes on Entry of goods into Calcutta Metropolitan Area Act, 1972, the rate of tax on certain specified items of iron and steel product was fixed, amongst others, at Rs.10 per tonne. Other articles made of iron or steel, not falling under the specified items were liable to tax at the rate of 2 per cent *ad valorem*.

In the course of audit it was noticed (November 1980) that 3663.878 tonnes of iron sleepers valued at Rs.1,15,31,580 entering into Calcutta Metropolitan area were taxed at the rate of Rs. 10 per tonne between 19th February 1980 and 6th March 1980. Iron sleepers, however, did not fall under any of the specified items and were not, therefore, assessable at the aforesaid rate, but were to be classified under the category of “other articles of iron or steel”, on which tax was chargeable at the rate of 2 per cent *ad valorem*. The misclassification of the article resulted in under-assessment of tax of Rs.1,98,901.

On this being pointed out in audit (November 1980), the local office admitted the mistake (November 1980) and agreed to realise the short levy of tax.

The matter was reported to Government in November 1980; reply is awaited (April 1981).



(K. TYAGARAJAN),
Accountant General II,
West Bengal.

CALCUTTA,

The 14 SEP 1981 1981.

Countersigned.



(GIAN PRAKASH),
Comptroller and Auditor General of India.

NEW DELHI,

The 19 SEP 1981 1981.

APPENDIX I

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

(Reference : Paragraph 1.4, page 7)

Head of accounts	Gross collection in 1979-80	Expenditure on collection in 1979-80	Percentage of cost of collection to gross collection		
			1979-80	1978-79	1977-78
(In crores of rupees)					
(1) Taxes on Agricultural Income.	7.28	0.20	2.7	2.0	2.7
(2) Other taxes on Income and Expenditure.	7.31	0.07	1.0	..	..
(3) Land Revenue* ..	17.19	14.83	86.3	68.2	61.3
(4) State Excise ..	43.91	2.55	5.8	6.9	7.1
(5) Taxes on Vehicles ..	16.62	0.49	2.9	3.0	3.1
(6) Sales Tax ..	281.07	2.10	0.7	0.8	0.8
(7) Stamps and Registration Fees.	25.00	2.52	10.1	13.7	11.9
(8) Taxes and Duties on Electricity.	14.22	0.22	1.5	1.4	1.5
(9) Taxes on Goods and Passengers	41.84	1.40	3.3	4.3	4.5
(10) Other Taxes and Duties on commodities and services	24.10	0.05	0.2	0.3	0.5
(11) Forest* ..	9.02	8.91	98.8	87.4	67.0
Total ..	487.56	33.34	6.8	7.4	7.6

*Land Revenue and Forest Departments have several administrative functions and expenditure incurred on all these functions, cannot be considered as having been incurred solely for collecting revenue

E R R A T A

Sl. No.	Page No.	Para	Line	For	Read
1.	2	1.2 (b)	27	commodities.	Commodities.
2.	5	1.3 (ii)	21	-0.17	+0.17
3.	5	do	35	-0.84	+0.84
4.	13	2.4	30	Rs. 2,37,122	Rs. 2,37,122
5.	25	3.5	4	Rs. 4,935	Rs. 4,935
6.	30	5.1	12	tonne.	tonnes.
7.	31	5.2 (b)	17	Audit.	audit.
8.	33	5.5	5	Audit.	audit.
9.	33	5.6	23	Tonne.	Tonnes.
10.	38	Appendix 1	25	commodities.	Commodities.
11.	38	do	26	services	Services

