

**Report of the Comptroller  
and Auditor-General of India  
for the year 1973-74**

**Revenue Receipts (Civil)**



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**Comptroller and Auditor-General of India**  
**1975**



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## PREFATORY REMARKS

THE Audit Report on Revenue Receipts (Civil) of the Government of West Bengal for the year 1973-74 is presented in a separate volume as was done last year. The material in the Report has been arranged in the following order:—

- (i) Chapter I deals with trends of revenue 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) A review of taxation and mobilisation of resources by the State Government for financing the Fourth Five-Year Plan, has been given in Chapter II.
- (iii) Chapters III to VIII set out certain cases and points of interest which came to notice of Audit during test audit of Sales Tax, Land Revenue, Entry Taxes, Electricity Duties, Stamp Duty and Registration Fees and other miscellaneous receipts.

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





# CHAPTER I

## General

1. **Trend of Revenue Receipts:** The total revenue receipt of the Government of West Bengal for the year 1973-74 was Rs.376.50 crores against the anticipated revenue of Rs.377.54 crores. The total revenue realised during the year registered a decrease by 11.5 per cent. against that of 1971-72 (Rs.425.43 crores) and an increase by 7.2 per cent. over that in 1972-73 (Rs.351.22 crores). Of the total receipts of Rs.376.50 crores, Rs.191.09 crores represented receipts realised by the State Government under "Tax Revenue" and Rs.40.30 crores under "Non-Tax Revenue". The receipts from the Government of India (Rs.145.11 crores) by way of share of Central taxes and grants-in-aid accounted for 38.6 per cent. of the total revenue receipts during the year.

2. (a) **Analysis of Revenue Receipts:** An analysis of the receipts during 1973-74 along with the corresponding figures for the preceding four years is given below :

		(In crores of rupees)				
		1969-70	1970-71	1971-72	1972-73	1973-74
		1	2	3	4	5
<b>I. Revenue raised by the State Government--</b>						
(a) Tax revenue	..	127.82	180.88	146.04	178.84	191.09
(b) Non-tax revenue	..	39.14	28.71	31.22	35.03	40.80
<b>Total</b>	<b>..</b>	<b>166.96</b>	<b>159.54</b>	<b>177.26</b>	<b>208.87</b>	<b>231.89</b>
<b>II. Receipts from Government of India--</b>						
(a) State share of divisible Union taxes.		50.56	62.68	78.86	87.60	96.26
(b) Grants-in-aid	..	44.16	45.80	*169.81	54.75	48.85
<b>Total</b>	<b>..</b>	<b>94.72</b>	<b>108.48</b>	<b>248.17</b>	<b>142.35</b>	<b>145.11</b>
<b>III. Total revenue receipts of the State (I+II)</b>		<b>261.68</b>	<b>268.02</b>	<b>425.43</b>	<b>351.22</b>	<b>376.50</b>
<b>IV. Percentage of I to III</b>	<b>..</b>	<b>63.8</b>	<b>59.5</b>	<b>41.7</b>	<b>59.5</b>	<b>61.4</b>

\*Increase in grants-in-aid in 1971-72 was due to the receipt of a grant of Rs. 129.89 crores from the Government of India for relief of refugees from the erstwhile East Pakistan.

Thus taking the average of the five-year period, 1969-70 to 1973-74 43 per cent. of the State's total revenue came from the Union Government. The State's mobilisation amounted approximately to 57 per cent.

The gross receipts during the year 1973-74 showed an increase of Rs.25.28 crores as compared to those of the preceding year mainly owing to increase in the share of Central taxes assigned to the States (Rs.8.66 crores) and increase in receipt from the taxes collected by the State (Rs.17.25 crores). The bulk of the increase under State taxes was under Sales Tax (Rs.10.45 crores), attributed mainly to introduction of certain measures to check evasion of tax, ensure better collection of dues and speedier disposal of assessment cases, and under Stamp Duty (Rs.3.93 crores) stated to be due to increased rates on bottomry bonds, conveyances and other instruments relating to immovable properties. The receipts from Land Revenue, State Excise Duties, Taxes on Vehicles and Registration Fees recorded only marginal increases whereas the receipts from Taxes on Agricultural Income and Other Taxes and Duties declined compared to the previous year.

(b) **Tax revenue raised by the State:** Receipts from tax revenue during the period of five years from 1969-70 to 1973-74 constituted about 81.5 per cent. of the State's own revenue receipts during that period. An analysis of the tax revenue for the year 1973-74 and for the preceding four years, is given below:

	Receipts during the year					Increase (+) or decrease (-) in 1973-74 with reference to 1972-73
	1 69-70	1970-71	1971-72	1972-73	1973-74	
1. Taxes on Income Other than Corpora- tion Tax—Taxes on Agricultural Income.	1.58	1.08	0.92	1.01	0.92	- 0.09
2. Land Revenue ..	10.11	5.90	5.19	5.23	7.32	+ 2.09
3. State Excise Duties	16.08	17.08	18.44	18.90	20.26	+ 1.36
4. Taxes on Motor Vehi- cles.	6.25	6.58	6.98	8.71	8.96	+ 0.25
5. Sales Tax ..	63.31	67.93	74.18	91.24	101.69	+ 10.45
6. Other Taxes and Duties.	21.18	22.83	30.81	37.41	36.65	- 0.76
7. Stamps ..	7.75	7.73	8.05	9.48	13.41	+ 3.93
8. Registration ..	1.56	1.70	1.47	1.86	1.88	+ 0.02
<b>Total ..</b>	<b>127.82</b>	<b>130.83</b>	<b>146.04</b>	<b>173.84</b>	<b>191.09</b>	<b>+ 17.25</b>

(c) **Non-tax revenues of the State:** The principal sources of non-tax revenue of the State are Forest, Interest, Agriculture, Industries, Miscellaneous Departments, Labour and Employment and Public Works constituting about 78 per cent. of the non-tax revenues of the State during the year 1973-74. An analysis of non-tax revenue under the principal sources for the year 1973-74 and the preceding four years is given below:

(In crores of rupees)						
	1969-70	1970-71	1971-72	1972-73	1973-74	(Increase + decrease (-) 1973- 74 with refer- ence to 1972-73)
1. Forest ..	2.45	2.20	2.45	4.12	4.82	+0.70
2. Interest ..	4.65	4.04	4.86	5.23	8.68	+8.45
3. Miscellaneous Departments.	2.60	1.57	0.59	3.36	2.25	-1.11
4. Agriculture ..	4.75	2.99	2.98	5.46	5.60	+0.14
5. Industries ..	2.54	2.61	3.09	2.53	2.74	+0.21
6. Public Works ..	1.23	0.86	0.87	1.80	1.21	-0.59
7. Labour and Employment.	5.01	3.73	6.52	2.39	6.10	+3.71
8. Others ..	15.91	10.71	8.86	10.14	8.90	-1.24
Total ..	<u>39.14</u>	<u>28.71</u>	<u>31.22</u>	<u>35.03</u>	<u>40.30</u>	<u>+5.27</u>

3. **Variations between the budget estimates and the actuals:** (i) The actual receipts, compared to the budget estimates during the five years from 1969-70 to 1973-74 were as under—

(In crores of rupees)						
	Year	Budget	Actuals	Variation excess (+) shortfall (-)		
A. Tax revenue ..	1969-70 ..	112.81	127.82	(+)15.01		
	1970-71 ..	131.89	130.83	(-) 1.06		
	1971-72 ..	141.68	146.04	(+) 4.36		
	1972-73 ..	155.08	173.84	(+)18.76		
	1973-74 ..	179.37	191.09	(+)11.72		
B. Non-tax revenue ..	1969-70 ..	44.91	39.14	(-) 5.77		
	1970-71 ..	44.67	28.71	(-)15.96		
	1971-72 ..	53.10	31.22	(-)21.88		
	1972-73 ..	44.50	35.03	(-) 9.47		
	1973-74 ..	58.78	40.30	(-)18.48		

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

Heads of revenue	Year	Budget estimates	(In crores of rupees)		
			Actuals	Variation (+) excess (-) short-fall	Percentage of variation
1	2	3	4	5	6
1. Taxes on Income other than Corporation Tax—Taxes on Agricultural Income	1969-70 ..	1.02	1.58	+0.56	(+)54.9
	1970-71 ..	1.22	1.08	-0.14	(-)11.4
	1971-72 ..	1.25	0.92	-0.33	(-)26.4
	1972-73 ..	0.98	1.01	+0.03	(+)3.0
	1973-74 ..	1.00	0.92	-0.08	(-) 8.0
2. Land Revenue	.. 1969-70 ..	6.00	10.11	+4.11	(+)68.5
	1970-71 ..	6.33	5.90	-0.43	(-) 6.7
	1971-72 ..	6.96	5.19	-1.77	(-)25.4
	1972-73 ..	6.29	5.23	-1.06	(-)16.8
	1973-74 ..	9.25	7.32	-1.93	(-)20.9
3. State Excise Duties	.. 1969-70 ..	13.50	16.08	+2.58	(+)19.1
	1970-71 ..	15.41	17.08	+1.67	(+)10.8
	1971-72 ..	16.50	18.44	+1.94	(+)11.8
	1972-73 ..	18.03	18.90	+0.87	(+) 4.8
	1973-74 ..	19.65	20.26	+0.61	(+) 3.1
4. Taxes on Motor Vehicles	.. 1969-70 ..	6.50	6.25	-0.25	(-) 3.8
	1970-71 ..	6.95	6.58	-0.37	(-) 5.3
	1971-72 ..	6.35	6.98	+0.63	(+) 9.9
	1972-73 ..	6.97	8.71	+1.74	(+)24.9
	1973-74 ..	8.15	8.96	+0.81	(+) 9.9
5. Sales Tax	.. 1969-70 ..	58.34	63.31	+4.97	(+) 8.5
	1970-71 ..	70.40	67.98	-2.47	(-) 3.5
	1971-72 ..	73.80	74.18	+0.38	(+) 0.5
	1972-73 ..	78.80	91.24	+12.44	(+)15.7
	.. 1973-74 ..	92.50	101.69	+ 9.19	(+) 9.9

(In crores of rupees)

Heads of revenue		Year	Budget estimates	Actuals	Variation (+)excess (-)short-fall	Percentage of variation	
1		2	3	4	5	6	
6. Other Taxes and Duties	..	1969-70	..	17.81	21.18	+3.37	(+)18.9
		1970-71	..	22.18	22.88	+0.65	(+) 2.9
		1971-72	..	27.49	30.81	+3.32	(+)12.0
		1972-73	..	33.98	37.41	+3.43	(+)10.00
		1973-74	..	38.77	36.65	-2.12	(-) 5.4
7. Stamps	..	1969-70	..	7.55	7.75	+0.20	(+) 2.6
		1970-71	..	7.61	7.73	+0.12	(+) 1.5
		1971-72	..	7.78	8.05	+0.27	(+) 3.4
		1972-73	..	8.44	9.48	+1.04	(+)12.3
		1973-74	..	8.46	13.41	+4.95	(+)58.5
8. Registration	..	1969-70	..	2.09	1.56	-0.53	(-)25.3
		1970-71	..	1.79	1.70	-0.09	(-) 5.0
		1971-72	..	1.55	1.47	-0.08	(-) 5.1
		1972-73	..	1.59	1.86	+0.27	(+)16.9
		1973-74	..	1.59	1.88	+0.29	(+)18.2

4. **Cost of collection:** The expenditure incurred by the State Government during 1973-74 on the collection of various taxes and the percentages of the cost of collection to the tax collected during the last three years, are given below:

(In lakhs of rupees)

	Gross collection.	Expenditure on collection	Percentage of cost of collection to gross collections		
			1973-74	1972-73	1971-72
1. Taxes on Agricultural Income	91.50	12.09	13.2	11.4	12.0
2. Land Revenue	731.85	792.05	108.2	145.0	140.0
3. State Excise Duties	2,026.09	140.80	6.9	6.9	7.5
4. Taxes on Motor Vehicles	896.12	26.96	3.0	3.0	3.6
5. Sales Tax	10,168.68	91.83	0.9	0.9	1.2
6. Other Taxes and Duties	3,665.03	88.99	2.4	2.4	2.7
7. Stamps and Registration	1,529.18	132.02	8.6	10.5	13.0
<b>Total</b>	<b>19,108.45</b>	<b>1,284.74</b>	<b>6.7</b>	<b>7.0</b>	<b>8.2</b>

**5. Arrears of Revenue:** The arrears of revenue in respect of Sales Tax, Electricity Duty, Entry Tax and Land Revenue pending realisation as on 31st March 1974 amounted to Rs.80.94 crores as indicated below :

**(a) Sales Tax**

(In crores of rupees)

	Out- standing as on 1st April 1973	Fresh demand raised during the year.	Amount collected	Amount remitted written off/redu- ced on appeal or revision	Balance outstand- ing as on 31st March 1974
1. Bengal Finance (Sales Tax) Act, 1941.	35.58	20.55	3.97	4.12	48.04
2. West Bengal Sales Tax Act, 1954	1.61	0.47	0.15	0.15	1.78
3. Central Sales Tax Act, 1956 ..	16.65	5.02	1.89	3.26	16.52
4. Bengal Motor Spirit Taxation Act, 1941.	0.30	0.04	0.03	..	0.31
5. Bengal Raw Jute Taxation Act, 1941.	0.81	0.43	..	.01	1.23
	<u>54.95</u>	<u>26.51</u>	<u>6.04</u>	<u>7.54</u>	<u>67.88</u>

(In crores of rupees)

**(b) Electricity Duty**

(approx.)

Balance as on 1st April 1973 .. ..	..	..	3.64
Demands raised during the year (1973-74)	..	..	11.75
		Total	<u>15.39</u>
Collection made during the year (1973-74)	..	..	<u>11.84</u>
Balance outstanding as on 31st March 1974	..	..	3.55

**(c) Entry Tax**

Balance as on 1st April 1973 .. ..	..	..	0.19
Demands raised during the year (1973-74) ..	..	..	12.00
		Total	<u>12.19</u>
Collection made during the year (1973-74) ..	..	..	<u>11.96</u>
Balance outstanding as on 31st March 1974	..	..	0.28

The Department stated (December 1974) that the arrears in the tax collection represented short levies detected subsequently or imposition of tax and penalty on subsequent detection of evasion as also amounts stayed by appellate and other authorities.

(d) **Land Revenue**

The arrears of Land Revenue pending realisation as on last day of 1380 B.S. amounted to Rs.9.28 crores as given below :

				(In crores of rupees)
Balance as on 1st Baisakh, 1380 B.S.	..	..	..	7.66
Demand raised during the year (1973-74)	..	..	..	7.02
			<b>Total</b>	<u>14.68</u>
Collections made during the year 1380 B.S., i.e. (1973-74)	..	..	..	5.40
Balance outstanding as on last day of 1380 B.S.	..	..	..	<u>9.28</u>

Information regarding arrears of revenue in respect of other heads was not made available to audit (March 1975).

## CHAPTER II

## Mobilisation of resources

6. **General:** The Fourth Five-Year Plan stressed the need for mobilisation of additional resources by the State Government for financing plan and non-plan requirements during the plan period (1969-70 to 1973-74). This was sought to be achieved by adopting specific measures like—

- (i) additional taxation especially of agricultural incomes and urban property values;
  - (ii) efficient and profitable operation of public undertakings; and
  - (iii) more effective drive for small savings particularly in rural areas.
- Efforts were to be directed to augment resources by—

- (1) mobilising additional resources in rural sector, especially from the agricultural sector;
- (2) enhancing the rate of taxation and by rationalising the tax system;
- (3) tapping the source of unearned increment in income and wealth as a result of increase in land values in and around developing urban areas;
- (4) withdrawing tax incentives when the purposes have been served by them and where the return is not commensurate with the revenue loss; and
- (5) raising the rate of return on capital employed in electricity undertakings, and by industrial and commercial undertakings other than public utilities, as well as by improving financial returns from irrigation projects.

The estimated plan outlay during the Fourth Five-Year Plan for the State of West Bengal was Rs.323\* crores and was distributed under different heads as follows:

	(In crores of rupees)
(1) Agricultural and allied sectors	... 59
(2) Irrigation and Power	... 110
(3) Transport and Communications	... 16
(4) Industry and Minerals	... 15
(5) Education, Public Health and other Social Services	... 60
(6) Co-operation and Community Development	... 10
(7) Miscellaneous	... 44
<b>Total:</b>	<b>... 323</b>

\*The plan outlay as approved by the Planning Commission was Rs. 322.50 crores.



**Excess/shortfall and the reasons therefor:** Against the estimated plan outlay of Rs.323 crores, the resources actually raised by the State Government during the plan period was Rs.366.33 crores. The target set forth in the plan and the actual achievement thereagainst are indicated below:

				(In crores of rupees)	
				Targets	Actuals
1.	Additional resources mobilisation	--	--	70.00	58.10
2.	Borrowings by the State Government	--	--	7.00	9.07
3.	Borrowings by the State enterprises	..	..	24.60	83.72
4.	Central assistance*	..	..	221.00	220.44
				<hr/>	<hr/>
<b>Total</b>				..	322.50
				<hr/>	<hr/>
<b>*Grants/Loans</b>					
	Grants	--	--	66.80	63.22
	Loans	..	..	154.70	157.22
				<hr/>	<hr/>
<b>Total</b>				..	221.00
				<hr/>	<hr/>

It may be seen from the above that the resources actually raised exceeded the plan outlay by Rs.43.83 crores. The reasons for excess/shortfall in the different spheres are analysed in the following paragraphs:—

#### A. Tax and non-tax receipts

Initially the State Government had indicated to the Planning Commission that it would be possible to raise approximately Rs.80 crores by way of additional taxation during the Fourth Plan period. However, a decision having been taken by the State Government to remit land revenue on holdings of less than 3 acres, the target for additional revenue was reduced to Rs.70 crores in 1970-71. The yield from additional taxation measures

actually contemplated was eventually estimated at Rs.53.10 crores only as indicated in the table below:

Year	Nature of additional taxation	(In crores of rupees)		
		Anticipated yield		
		In that year	In a full year	Total in the plan period
1969-70	.. Increase in the rates of Sales Tax ..	1.20	6.05	26.03
	.. Increase in Excise Duty ..	0.12	0.22	1.13
	.. Increase in Other Taxes ..	0.20	0.32	1.88
1972-73	.. Increase in Land Revenue ..	4.00	4.00	8.00
	.. Increase in Taxes on Motor Vehicles ..	1.00	1.06	2.06
1973-74	.. Increase in the rates of Sales Tax ..	2.45	2.61	5.06
	.. Increase in Other Taxes ..	1.70	1.81	3.51
	.. Increase in Stamp Duty ..	0.85	0.91	1.76
	.. Increase in Sales Tax ..	..	0.80	0.80
	.. Increase in Taxes on Motor Vehicles ..	..	0.10	0.10
	.. Increase in Other Taxes ..	..	2.07	2.07
	.. Increase in Stamp Duty ..	..	0.70	0.70
	<b>Total ..</b>			<b>53.10</b>

It will be observed from the table above that no measures for additional taxation for financing development expenditure were contemplated during 1970-71 and 1971-72.

Government stated (March 1972) that by 1971 it was apparent that measures of additional taxation already undertaken by the State Government in 1969-70 would have yielded only about Rs.29 crores in five years and that there would be a shortfall in resources unless the State Government stepped up resources mobilisation in the last two years of the State plan. The additional measures of taxation undertaken in the last two years, however, totalled up only to about Rs.24 crores, against Rs.41 crores required to be made up. As against the measures to raise Rs.53 crores of additional revenue undertaken during the plan period, Government stated (March 1974) that Rs.54 crores were raised from additional taxes and another Rs.33 crores from Octroi, the proceeds of which were used entirely for development purposes of the Calcutta Metropolitan Development Area and certain municipalities. The actual receipts which accrued to the State as a result of the additional measures of taxation cannot be ascertained as they have not been accounted for separately.

The reasons for the excess and shortfall under certain principal heads of tax revenues are analysed in the following paragraphs:—

(a) **Sales Tax:** During the plan period an increase under this head from Rs.56.89 crores in 1968-69 to Rs.92.50 crores in 1973-74 was envisaged. However, the receipt from this head was Rs.101.69 crores in the last year of the Fourth Five-Year Plan. As against the total receipts of Rs.373.84 crores envisaged during the plan period, the actuals were Rs.398.35 crores showing an increase of Rs.24.51 crores. This was attributed by the Government (March 1974) to various legal and administrative steps taken for better collection of taxes. Apart from better efforts to collect the tax and the increase in the rates of tax made from time to time, the general increases in the prices and the increased industrial production witnessed during the last three years of the plan have apparently made an appreciable contribution to the increased collection, as this tax is based on the prices of the goods sold.

The percentage increase in collections of Sales Tax in the different years of the plan, vis-a-vis the percentage increase in wholesale prices and the growth in industrial production from year to year, is indicated below:

Year	Percentage increases over the previous year		
	Collections of sales tax	Whole-sale prices†	Industrial *production
		(Base 1952-53)	(Base 1963)
1969-70	.. ..	11.3	3.1
1970-71	.. ..	7.3	5.5
1971-72	.. ..	9.2	6.0
1972-73	.. ..	23.0	4.5
1973-74	.. ..	11.5	16.0

The increase in rates of Sales Tax effected in 1969-70 and 1973-74 was expected to yield an additional revenue of Rs.31.89 crores over the plan period. The actual increase during the plan period was, however, to the extent of Rs.24.51 crores. Apart from this shortfall, it is apparent that the Sales Tax receipts do not reflect adequately the effect of rise in prices as well as of the growth in production during the years covered by the plan.

(b) **State Excise Duties:** During the plan period an increase under this head from Rs.13.68 crores in 1968-69 to Rs.19.65 crores in 1973-74 was anticipated. Against this the receipts under this head rose to Rs.20.26 crores in the last year of the Fourth Five-Year Plan. The total receipts

\*Figures are for calendar years 1969 to 1973.

†According to Economic Review 1974-75.

envisaged in the plan period were Rs.83.00 crores; the actuals were, however, Rs.90.76 crores, indicating an increase of Rs.7.67 crores. The only measure of additional taxation undertaken under this head was the enhancement of excise duty on Indian made foreign liquor by Rs.2 per L.P. litre with effect from 1st September 1969 and by another Rs.7 from 6th February 1974. The revenue from intoxicating liquors and materials other than country spirits, more or less remained stationary during the plan period. The relevant figures relating to country spirits are:

Year	(In crores of rupees)		(In bulk kilo litres)	
	Revenue from country spirits	Percentage increase over the previous year.	Consumption of country spirits	Percentage increase over the previous year
1969-70 .. ..	9.40	29.0	10.165	44.8
1970-71 .. ..	10.47	11.4	11.081	9.0
1971-72 .. ..	10.89	4.0	11.694	5.5
1972-73 .. ..	11.35	4.3	12.323	5.4
1973-74 .. ..	12.65	11.5	12.924	4.9

It may be observed from the table above that even the increase in revenue from country spirits has not been in keeping with the increase in consumption of country spirits from year to year excepting for the years 1970-71 and 1973-74.

(c) **Taxes on Motor Vehicles:** During the plan period an increase under this head from Rs.6.24 crores in 1968-69 to Rs.8.15 crores in 1973-74 was envisaged. Against this, however, the receipts under this head rose to Rs. 8.96 crores in the last year of the plan. As against total receipts of Rs.34.92 crores envisaged in the plan period, the actuals were Rs.37.48 crores, an increase of Rs. 2.56 crores. The growth during the plan period was Rs.2.72 crores. The collection under this head had shown an increase of 43.6 per cent. A surcharge at the rate of 10 per cent. was levied on the existing rates for meeting part of the expenditure on refugees who came to India in 1971 and the proceeds of this surcharge realised upto 1972-73 were credited to the Central Government, while the proceeds realised thereafter were retained by the State. The increased revenue to the State anticipated on this account was Rs.1 crore per annum. Incidentally, it may be mentioned that unlike in most other States, there

was no tax on passengers and goods in West Bengal. This, to some extent accounted for the relatively poor collection from tax on motor vehicles in this State. The revenue collected as against the number of registered vehicles plying in the State has been indicated below :

		(In crores of rupees)		
Year		Revenue collected	*Total number of registered vehicles in the State.	
1969-70	.. ..	6.26	1,61,280	
1970-71	.. ..	6.58	1,67,986	
1971-72	.. ..	6.98	1,75,618	
1972-73	.. ..	8.71	1,98,094	
1973-74	.. ..	8.96	2,04,381	

The number of registered vehicles in the States of Maharashtra and Tamil Nadu and the revenue realised in these States from taxes on motor vehicles are indicated in the Annexure to this report.

The sharp rise in the number of registered vehicles in West Bengal during 1972-73 occurred mainly in the category of jeeps (1,665), motor cycles (7,126), taxis (2,640) and other vehicles (3,469).

(d) **Amusement Tax:** During the plan period an increase under this head from Rs.5.40 crores in 1968-69 to Rs.10.15 crores in 1973-74 was envisaged. Against this, actual receipts under this head rose to Rs.8.39 crores in the last year of the Fourth Five-Year Plan. As against the total receipts of Rs.36.12 crores envisaged during the plan period, the actuals were Rs.37.06 crores showing an increase of Rs.0.94 crore. The growth during the plan period was Rs.2.99 crores. The collection under this head had thus shown an increase of 55.4 per cent. The increased collection was attributed to increase in the rate of tax on cinema tickets from 25th July 1972. The estimated additional yields on this account for the year 1972-73 and 1973-74 were Rs.1.70 crores and Rs.1.81 crores respectively. Surcharges at the rate of 10 paise per ticket for entertainment and at  $\frac{1}{2}$  per cent. of totalisator and betting tax were levied from 17th January 1972 and the collections thereof upto 1972-73 were made over to the Central Government as the State's contribution for the expenditure on refugee relief. These surcharges were continued in 1973-74 as measures of additional taxation and the proceeds thereof retained by the State.

A new tax on entertainments and luxuries in hotels and restaurants in Calcutta was imposed with effect from 25th July 1972, the annual yield anticipated on this account being Rs.10 lakhs per annum. The levy of the luxuries tax could not, however, be enforced during the plan period owing to a Court injunction.

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\*Figures are as furnished by the Department.

(e) **Land Revenue:** During the plan period an increase under this head from Rs.7.47 crores in 1968-69 to Rs.9.25 crores in 1973-74 was envisaged. Against this, receipts under this head decreased to Rs.7.32 crores in the last year of the Fourth Five-Year Plan. As against the total receipts of Rs.34.83 crores envisaged during the plan period, the actual receipts were Rs.33.75 crores, a decrease of Rs.1.08 crores. The growth during the plan period was minus Rs.0.15 crores. As may be seen from the following table indicating the yearwise cost of collections against the revenue collections, the cost of collection has been quite substantial.

			(In crores of rupees)	
Year		Collection	Cost of collection	
1969-70	.. ..	10.11	7.02	
1970-71	.. ..	5.90	6.39	
1971-72	.. ..	5.20	7.27	
1972-73	.. ..	5.23	7.58	
1973-74	.. ..	7.32	7.92	

Thus the cost of collection had exceeded the collection during the years 1970-71 to 1973-74. The sharp fall in collections 1970-71 was attributed by Government (February 1970) to exemption from land revenue granted from 1969-70 for holdings upto 1.214 hectares (3 acres). The increase of Rs.2.09 crores in 1973-74 over the preceding year was mainly due to the receipt of a provisional payment of Rs.2.47 crores from the Coal Mines Authority towards royalty on coal. Substantial increase in the rates of rent made from 1st Baisakh 1379 B.S. (1972-73) at thrice the previous rates in the case of irrigated land, and levy of a surcharge at 10 per cent. on raiyats holding 4 hectares (about 10 acres) or more land in one mouza, were expected to yield additional revenue to the extent of Rs.4 crores per annum in 1972-73 and 1973-74; but this target had not been achieved. Government stated that the full benefit of revision of land revenue effected in 1972 could not be realised because of drought conditions prevailing in the State and other difficulties.

(f) **Electricity Duty:** During the plan period an increase under this head from Rs.9.23 crores in 1968-69 to Rs.12.84 crores in 1973-74 was envisaged. Against this, however, the receipts under this head rose to Rs.11.56 crores in the last year of the plan. A total receipt of Rs.49.83 crores was estimated during the plan period, but, the actuals were Rs.48.81 crores showing a decrease of Rs.1.02 crores. The collection increased by about 25 per cent. during the plan period. There was no change in the rates of duty during the plan period. In 1971, a duty was levied on the consumption in West Bengal of energy generated, distributed, sold to or consumed by an Inter-State River Valley Authority. This measure validated past levies from 1st February 1958. Anticipated yield from this levy was Rs.40 lakhs per annum and in addition, arrears in this duty relating to the period 1st February 1958 to 31st March 1970 were also expected to be

realised at the rate of Rs.40 lakhs in each year, spread over seven years. The increase in the collection of electricity duty vis-a-vis the increase in the sale of electrical power during the plan period is detailed below :

Year	(In crores of rupees)	
	Collection of electricity duty.	Sale of power (In million K W H)
1969-70 .. ..	8.34	4668
1970-71 .. ..	8.86	4699
1971-72 .. ..	8.53	4934
1972-73 .. ..	11.52	5244
1973-74 .. ..	11.56	(Not available)

(g) **Stamp Duties:** During the plan period an increase under this head from Rs.7.34 crores in 1968-69 to Rs.8.46 crores was envisaged. Against this, the receipts under this head rose to Rs.13.41 crores in the last year of the plan. As against the total receipts of Rs.39.84 crores envisaged during the plan period, the actual receipts were Rs.46.42 crores, an increase of Rs.6.58 crores. The growth during the plan period was Rs.6.07 crores or 82.7 per cent., much of it having occurred in 1973-74. Government informed the Sixth Finance Commission (December 1972) that the receipts under this head had reached saturation point. A surcharge of 10 paise on all deeds under the Indian Stamp Act, was levied from 17th January 1972 to 31st March 1973 for the purpose of the State's contributions to the Central Government for refugee relief. This surcharge was continued for State purposes from 1973-74. In addition, by an amendment of the Indian Stamp Act, made in 1972, certain basic rates in respect of bottomry bonds, conveyances and other instruments relating to immovable property had been increased from 1st November 1972 and this was estimated to yield additional revenue of Rs.85 lakhs in 1972-73 and Rs. 91 lakhs in 1973-74.

(h) **Agricultural Income-tax:** The collections under this head had shown a declining trend during the plan period even though there was no reduction either in the rates of taxation or in the number of assesses as per details given below :

Year	(In crores of rupees)	
	Collection	Number of assesses
1968-69 .. ..	1.78	22,519
1969-70 .. ..	1.58	23,072
1970-71 .. ..	1.08	23,796
1971-72 .. ..	0.92	24,607
1972-73 .. ..	1.01	25,106
1973-74 .. ..	0.92	25,195

According to the State Government, the declining yield from this tax was due to larger collections in 1968-69 and 1969-70 owing to inclusion of arrears and extra statutory advances, and smaller collections in the subsequent years due to flood damages to the tea gardens in successive years.

(i) **Taxes on transactions relating to agricultural produce:** The Paddy Purchase Tax was levied from 14th January 1970 on all purchases of paddy by rice mills at the rate of 2 per cent. on the purchase price and it was expected to yield Rs.1 crore per annum. The actual collection under this head during the plan period was considerably lower, though the production of paddy in the State had shown increasing trends during the first three years of the plan and the fall in production in the last two years was only marginal, as indicated below :

Year			(In crores of rupees)	
			Tax collected	Paddy production*
			(in million tonnes)	
1969-70	..	..	0.19	6.05
1970-71	..	..	0.32	6.14
1971-72	..	..	0.31	6.51
1972-73	..	..	0.23	5.72
1973-74	..	..	0.18	5.80

Thus this tax had failed to provide an appreciable revenue to the State.

The other two taxes on transactions relating to agricultural produce, viz., Tax on Raw Jute and Taxes on Entry of Goods into local areas had not shown any major variations. The yield from tax on raw jute purchases has been practically stationary during the period, the area under jute cultivation and the production of jute during the period being as under :

Year			Receipt	Area*	Production*
			from taxes (In crores)	(Lakh hectares)	(Lakh kgs.)
1969-70	..	..	2.60	5.00	6740
1970-71	..	..	2.14	4.76	6160
1971-72	..	..	2.52	5.30	6899
1972-73	..	..	2.35	4.90	5310
1973-74	..	..	2.46	4.92	7290

### B. Borrowings

(i) **Negotiated loans by the State Government:** The plan document provided for Rs.7 crores towards negotiated loans (loans from the Life Insurance Corporation of India and the Reserve Bank of India) to be raised by the Government. The actuals were, however, Rs.9.07 crores.

(ii) **Negotiated loans and market borrowings by the State Enterprises:** The Planning Commission approved the borrowing of a total amount of Rs.24.50 crores by State Enterprises during the plan period. The State Government, however, proposed to fix this limit at Rs.60.35 crores against which the actual borrowing amounted to Rs.83.72 crores during the period, the entire amount being borrowed by the State Electricity Board.

\*According to the Economic Review of the respective years.



### C. Central Assistance

(i) Central assistance to the extent of Rs.221 crores was provided for in the plan document for the State plan schemes. The actual central assistance received was Rs.219.34 crores (Rs.62.89 crores as grants and Rs.156.45 crores as loans). In addition, assistance for centrally-sponsored schemes to the extent of Rs.5.69 crores as loan and Rs.26.47 crores as grant was received during the plan period. Assistance to the extent of Rs.1.10 crores (Rs.0.33 crore as grant and Rs.0.77 crore as loan) was received by the State as Central aid for schemes in the co-operative sector through the National Co-operative Development Corporation. Thus the total central assistance received by the State for its plan schemes amounted to Rs.220.44 crores as against Rs.221 crores envisaged.

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

(In crores of rupees)

Year	Transfer of shares of Central taxes	Grants-in-aid		Total Col. 2 to 4
		For expenditure on State plan	Others	
1	2	3	4	5
1969-70 .. ..	50.58	11.27	32.89	94.72
1970-71 .. ..	62.68	11.39	34.41	108.48
1971-72 .. ..	78.36	12.99	32.93	*124.28
1972-73 .. ..	87.60	13.76	40.99	142.35
1973-74 .. ..	96.26	13.48	35.37	145.11

(iii) **Per capita revenue and per capita income in the State:** One way of looking at the tax performance of a State may be to see the ratio of per capita revenue to the per capita income of the State. The following table indicates the ratio of per capita revenue to the per capita income of the State during the five years of the plan period:—

Year	Population† (in lakhs)	Per capita revenue in rupees from taxes	Per capita income in rupees at current prices†	Percentage of Col. 2 to 3
	1	2	3	4
1969-70 .. ..	437.7	29.2	515.6	5.6
1970-71 .. ..	449.8	29.1	546.1	5.3
1971-72 .. ..	443.1	32.9	584.6	5.6
1972-73 .. ..	456.9	38.0	573.8	6.6
1973-74 .. ..	467.2	40.9	661.5	6.2

\*Excludes Rs. 123.89 crores received for relief of refugees from erstwhile East Bengal.

†According to Economic Review of the respective years.

(iv) **Non-plan gap in the State's finances:** While the receipts from additional taxation during the plan period were to be earmarked for plan expenditure, the receipts from taxes at the levels in 1968-69, after allowing their normal growth, were to be applied for meeting committed non-plan expenditure. The Fifth Finance Commission, while dealing with the devolution of Central taxes to the State for the period of five years 1969-70 to 1973-74, anticipated that the budgetary requirements of West Bengal for non-plan expenditure during the period would not be covered by its own resources in spite of the increased devolution of Central taxes (Rs.296.64 crores as against Rs.197 crores recommended by the previous Commission) and recommended that in order to bridge the gap between normal receipts and non-plan expenditure, a grant of Rs. 72.62 crores might be given to the State by the Centre under Article 275(1) of the Constitution. The actual receipts of the share of Central taxes during the plan period considerably exceeded the estimates based on the recommendations of the Finance Commission and the receipts by way of grants under Article 275(1) were also higher than those indicated in the recommendations as shown below :

(In crores of rupees)		
	Share of Central taxes	Grants under Article 275(1)
Recommended by the Finance Commission ..	296.64	72.62
Actually received by the State ..	375.48	73.95
Excess .. .. .	78.79	1.33

In addition to the above, a cash grant of Rs.110.57 crores was given by the Centre to the State in 1971-72 for meeting the expenditure on the relief of refugees from erstwhile East Bengal against which the expenditure by the State amounted to Rs.83.07 crores, thus making available to the State an extra amount of Rs.27.50 crores. In spite of the large increase in the share of Central taxes and the additional amounts received as grants-in-aid by the State the non-plan gap expected to be bridged by the Central grants under Article 275(1) was not actually bridged, necessitating a special loan accommodation being obtained by the State to meet the gap. It was estimated by the Government (March 1974) that the gap in non-plan expenditure during the Fourth Plan amounted to Rs.155 crores, as against Rs.73 crores anticipated by the Fifth Finance Commission, the increase being attributed mainly to pay revision of Government employees (Rs.42 crores) and payment of increased dearness allowance to them (Rs.13 crores). Based on these estimates, a special loan of Rs.134.73 crores was obtained by the State from the Central Government during the plan period to cover the gap in the resources for non-plan expenditure.

## CHAPTER III

## Sales Tax

7. **Results of test audit:** As a result of test audit during 1973-74 of the assessments relating to Sales Tax, 120 cases involving under-assessment of tax amounting to Rs.30.58 lakhs and one case of over-assessment of tax amounting to Rs.5,670 came to notice. The details of the cases of under-assessment are as under:

Nature of irregularity	(In lakhs of rupees)	
	Number of cases	Amount of tax under assessed
1. Omission to tax certain scales .. .. .	58	5.94
2. Irregular exemptions .. .. .	32	16.25
3. Incorrect determination of taxable turnover .. .. .	7	1.14
4. Incorrect computation of tax under Central Sales Tax Act .. .. .	3	0.47
5. Mistakes in computation of taxable turnover .. .. .	6	0.73
6. Mistakes in allowing deductions or irregular deductions .. .. .	9	3.25
7. Incorrect computation of tax .. .. .	5	2.80
Total ..	120	30.58

8. **Irregular exemption for pump sets:** Mention was made in para. 4 of Chapter V of the Audit Report, 1971-72, and para. 11 of the Audit Report (Receipts), 1972-73 of several instances of non-levy of tax on sales of pump sets due to an erroneous order treating them as agricultural implements. Several more cases came to the notice of audit during 1973-74 in which sales of pump sets had been irregularly exempted from tax. In 14 such cases relating to various periods in 1966-67 to 1969-70 assessed during the period January 1969 to March 1974, turnover aggregating Rs.183.34 lakhs on sales of pump sets was exempted from tax resulting in under-assessment of tax amounting to Rs.10.35 lakhs.

These cases were reported to the State Government during the period April 1974 and June 1974. Reply has not yet been received (March 1975).

9. **Sales not subjected to tax:** As a result of certain amendments made in 1967 to the Bengal Finance (Sales Tax) Act, 1941, all transactions by a dealer in connection with, or ancillary or incidental to, trade, commerce, manufacture, adventure or concern became liable to tax. Several cases came to notice of audit where such transactions which were taxable by virtue of the amendments made in 1967, had not been subjected to tax, resulting in under-assessments. In the course of test audit of 53 such cases, it was noticed that casual and non-recurring sales aggregating

Rs.41 lakhs in respect of ancillary materials and goods sold during various periods in 1968 to 1970 were not assessed to tax, leading to under-assessments of tax aggregating Rs.2.89 lakhs.

The cases were reported to the State Government (May 1974 to July 1974). No reply has been received so far (March 1975).

**10. Sales of sleepers not taxed:** In an assessment for the year 1968 made in respect of a dealer in August 1972, sales amounting to Rs.6,69,024 of sleepers to the Railways for which cast iron scrap of equal value was to be received by him from the Railways, were omitted to be included in the taxable turnover of the assessee, resulting in under-assessment of tax to the extent of Rs.37,934.

The case was reported to Government (August 1974). No reply has been received so far (March 1975).

**11. Omission to include certain sales for purposes of taxation:** In three assessments for the year ending 31st March 1969 made in February 1973, sales amounting to Rs.37.17 lakhs relating to previous years but billed for and included in the accounts of the year under assessment (1968-69) were omitted to be taken into account in arriving at the taxable turnover for the year, though these sales had not been taxed in the previous periods. This omission resulted in under-assessment of tax to the extent of Rs.2.11 lakhs in the three cases. It was reported to Audit (April 1974) that in all these cases (one of which was under appeal) the question of reopening these assessments would be taken up.

**12. Under-assessment due to wrong classification of non-agricultural implements:** Under the Bengal Finance (Sales Tax) Act, 1941, agricultural implements are exempt from taxation. The agricultural process is over after the harvesting of sugarcane and the subsequent preparation of cane juice, gur, etc., with the use of cane crushers, juice boiling pans, gram dryers, etc., does not involve any agricultural process. It was, however, noticed in three assessments relating to three dealers made during 1973-74 (for various periods in 1970-71) that turnover amounting in all to Rs.5.36 lakhs on sales of sugarcane crushers, juice boiling pans, gram dryers, etc., was exempted from tax treating them as agricultural implements, though these items did not figure in the list of such implements eligible for exemption, circulated by Government in May 1971. The tax under-assessed in these cases was to the extent of Rs.35,426.

The matter was reported by the Department (June 1974) to be under enquiry. The cases were reported to Government in August 1974. No reply has been received so far (March 1975).

**13. Non-levy of tax on bye-product of cotton:** Sales of cotton are exempt from tax but once cotton has been used in the process of manufacture, a bye-product resulting from the manufacture, viz., cotton

waste, cannot be considered as cotton but is a different commodity. Cotton waste is, thus, not exempt from tax. Several instances were noticed in audit in which sales of cotton waste had not been subjected to levy of tax treating it as cotton. In 12 assessments relating to three dealers for various periods in 1967 to 1972, made during July 1970 to March 1974, turnover aggregating Rs.80.72 lakhs on sales of cotton waste was not subjected to tax, resulting in under-assessment of tax amounting to Rs.5.34 lakhs.

**14. Irregular exemption of transmission belting:** Sales of cotton fabrics are exempt from levy of tax under the Bengal Finance (Sales Tax) Act, 1941, provided they come within the definition of that term in the Central Excises and Salt Act, 1944. 'Transmission belting' does not come within the definition of 'cotton fabrics' in the latter Act but is a separate item and hence sales of this commodity are not eligible for the exemption from tax given to 'cotton fabrics'. In respect of two dealers, turnover amounting to Rs.2.47 lakhs in respect of sales of transmission belting was exempted from tax by taking them to be sales of 'cotton fabrics' in assessment for the year 1968 and a re-assessment for the year 1968 made in December 1972 and February 1973 respectively, resulting in short levy of tax to the extent of Rs.21,183.

The matter was reported to Government 1974. No reply has been received (March 1975).

**15. Under-assessment of tax due to non-inclusion of freight and delivery charges in the sale price:** In five assessments made during the period November 1970 to May 1973 in respect of a dealer for the years ending March 1967 to 1971, Railway freight and delivery charges amounting to Rs.15,30,406 incurred by the seller for delivering the goods to the purchaser were not charged to tax, though in respect of the earlier year ending March 1966 such charges were subjected to tax on the ground that they were part of the sale price and the contentions of the assessee to the contrary were rejected in appeal and in revision. The under-assessment of tax on this account amounted to Rs.85,462 in the five years. Audit was informed (August 1974) that action was being taken to review the cases. No further report has been received since (March 1975).

**16. Sales of surplus raw materials not taxed:** In an assessment for the year 1969 made in December 1973, a turnover of Rs.9,88,552 shown in the accounts of the dealer towards sale of "redundant raw materials" was not subjected to tax by being included in the taxable turnover, resulting in under-assessment of tax to the extent of Rs.56,051. Audit was informed (May 1974) that the matter would be investigated; no further report has been received by Audit (March 1975).

**17. Mistakes in computations of taxable turnover:** Several cases were noticed in audit in which arithmetical and other mistakes in the computation of taxable turnover led to incorrect determination of tax due and short

recovery of tax from the assessees. The following are some of the important instances :—

(i) In an assessment for the year 1377 B.S. (1970-71) made in January 1973, the turnover of Rs.1,02,587 shown in the tax return was enhanced by Rs.3 lakhs by the assessing officer according to the "best of his judgement" on the ground that the books of accounts produced by the dealer were not correct and complete. After allowing from the gross turnover of Rs.4,02,587 so determined a deduction of Rs.1,00,007 towards sales of goods exempt from tax, the taxable turnover was wrongly arrived at as Rs.5,580 instead of Rs.3,02,580 resulting in short levy of tax to the extent of Rs.16,880. The case was reported to the State Government (June 1974); no reply has been received so far (March 1975).

(ii) In an assessment for the year K.B. 2026 (1970) made in October 1973, the assessing authority disbelieved the accounts produced by the dealer and decided to assess according to the "best of his judgement" by enhancing the turnover of Rs.11,92,409 returned by the dealer by 20 per cent. However, in calculating the actual amount of enhancement a sum of Rs.23,848 only was added to the turnover returned instead of Rs.2,38,482, resulting in under-assessment of tax to the extent of Rs.12,170. Audit was informed (May 1974) that the intention was to enhance the turnover only by 2 per cent. and not by 20 per cent. as shown in the assessment order by mistake. It may, however, be stated that the assessment order clearly indicated that the enhancement was to be made by 20 per cent. and a mistake in calculation was sought to be explained by bringing up a reference to an intention not supported by any record.

The matter was reported to Government in August 1974; no reply has been received so far (March 1975).

(iii) The gross turnover of a dealer for the year ended 31st March 1969 was determined, in an assessment order passed in July 1972, as Rs.12,85,000 but while working out the taxable turnover, the gross turnover was erroneously taken as Rs.9,85,000, resulting in a short levy of tax amounting to Rs.32,130. The mistake in the assessment was admitted (January 1974) and it was stated that a revision of the assessment would be considered. No further report has been received (March 1975).

(iv) In a re-assessment for the year 1963 made in February 1973 as a result of an order in appeal, a deduction of Rs.9,70,11,894 was to be allowed towards sales of tax-free goods, etc., from a gross turnover of Rs.10,73,73,257 but instead, a deduction of Rs.9,72,11,894 was allowed, resulting in an under-assessment of tax amounting to Rs.18,200. In addition, there was another error in apportioning the taxable turnover according to the different rates of tax leviable as a result of which a turnover of Rs.47,33,293 was subjected to tax at 5 per cent. instead of at 10 per cent., leading to a further short recovery of tax to the extent of Rs.2,23,507. Audit was informed (March 1974) that the former error

would be rectified in the pending appeal and that the latter error was due to the break-up of sales according to different rates of tax being shown wrongly in the assessment order. No further report has been received so far (March 1975) whether the case had been reviewed for rectifying the errors.

(v) In an assessment under Central Sales Tax Act for the year A.S. 2026 (1970) made in February 1973, the taxable turnover of the dealer was determined at Rs.5,53,291 of which a turnover of Rs.3,21,803 was held liable to tax at the concessional rate of 3 per cent. while the balance was to be taxed at 10 per cent. In arriving at the tax payable by the dealer, only the tax at 3 per cent. was levied on the turnover of Rs.3,21,803 and no tax was levied on the balance, resulting in an under-assessment of tax amounting to Rs.23,149. Audit was informed (November 1973) that the mistake would be rectified at the appellate stage where the case was pending. No further report has been received (March 1975).

(vi) In the case of four dealers, assessments relating to the years 2025 S.Y. (1969), 2026 S.Y. (1970), years ending March 1972 and July 1970 respectively were completed in October 1972, May 1972, November 1973 and April 1974 respectively. It was noticed in audit that while making the assessments the taxable turnover had been computed wrongly, resulting in the turnovers being understated by Rs.1 lakh in each case and consequent under-assessment of Rs.5,670 in each case (i.e., a total under-assessment of Rs.22,680). In the first three cases alone, the errors were accepted (December 1973, March 1974 and June 1974) and it was proposed to rectify them; no further report has been received (March 1975).

**18. Mistakes in allowing deductions from turnover:** In para. 15 of the Audit Report (Receipts) for 1972-73, two cases were mentioned in which certain mistakes in the totals of the statements filed by assessees in support of their claims for deductions led to under-assessment of tax. Several more such cases have come to notice of audit, some of which are detailed below:—

(i) In an assessment made in March 1973 for the year ending March 1969, a deduction of Rs.17,85,953 towards sales to registered dealers was allowed from the gross turnover based on a statement contained in declaration forms produced by the dealer, the correct total of which worked out to Rs.15,64,953 thus resulting in an excess allowance of Rs.2,21,000. The under-assessment of tax on this account amounted to Rs.23,669. Audit was informed (April 1974) that the matter would be re-examined and a final report sent in due course; no report has so far been received (March 1975).

(ii) In an assessment made in January 1972 for the year ending June 1968, a statement of the prescribed declaration forms, running to 12 pages, the grand total of which was shown as Rs.26,42,252, was filed by the dealer in support of the claim for deductions towards sales to registered

dealers and manufacturers and a deduction to that extent was allowed by the assessing officer. On actual verification by audit, it was found that the totals in three of the pages of the statement had been inflated by Rs.50,000, Rs.1,00,000 and Rs.1,00,000 respectively, resulting in excess allowance of Rs.2,50,000 in the claim for deductions. The tax under-assessed on this account amounted to Rs.14,192. In the assessment for the same period for the same dealer under the Central Sales Tax Act made simultaneously, there was a similar over-statement of the total of the statement of declaration forms by Rs.50,540, resulting in under-assessment of tax of Rs.3,123.

The matter was reported to the State Government in March 1974. No reply has been received (March 1975).

(iii) In a re-assessment for the year ending March 1968 made in December 1973, a deduction of Rs.10,58,093 was allowed from the turnover towards sales to registered dealers, based on a statement of declarations furnished by the assessee. The correct total of this statement was found by audit to be only Rs.9,26,930. There was thus an excess allowance of claim to the extent of Rs.1,31,163 resulting in under-assessment of tax of Rs.7,437. Audit was informed (June 1974) that the dealer had been directed to appear again with the records for verification of claims and to ascertain the actual position. No further report has been received (March 1975).

(iv) In an assessment made in September 1972 for the year 1968, a similar totalling mistake of Rs.90,000 was found in a statement of declarations for Rs.3,72,854 filed by the dealer in support of his claim towards sales to registered dealers. As a result of this mistake, which was not detected at the time of assessment, there was under-assessment of tax to the extent of Rs.5,103. The case was reported to the State Government (July 1974); no reply has been received (March 1975).

(v) In two assessments relating to the years Aso Bodi 2026 (1970) and Kartik Bodi 2026 (1970-71) made in one charge in 1973-74, mistakes in totals of the statements filed by the dealers in support of their claims for deductions amounting to Rs.1,12,023 in one case and Rs.99,940 in the another case came to the notice of audit. The under-assessments of tax in the two cases amounted to Rs.11,202 and Rs.5,667 respectively. While in the first case, audit was informed (May 1974) that the matter was being looked into, in the second case, it was stated that on a review of the case, the amount of Rs.5,667 stood as additional tax due from the dealer. No further report has been received (March 1975).

**19. Inadequate scrutiny of claims for deduction:** (i) In an assessment under the Central Sales Tax Act for the year 1969 made in November 1973, the dealer claimed the concessional rate of 3 per cent. tax on a turnover of Rs.72,78,688 (out of his total turnover of Rs.74,64,747) on account of sales



to registered dealers and Government departments. Out of this claim, claims to the extent of Rs.2,38,173 were disallowed as declaration forms were either not furnished or those which were furnished were found defective. The balance amount eligible for the concessional rate of tax worked out to Rs.70,40,515 but the concessional rate was charged for Rs.70,75,035 for reasons not recorded, thus granting a benefit of about Rs.2,400 to the dealer. In addition, it was noticed by audit that as against a claim of Rs.67,53,486 towards sales to registered dealers, the sales reported in the declaration forms produced by the dealer amounted only to Rs.30,37,450 and against a claim of Rs.2,87,029 towards sales to Government departments, no declarations or statements in support thereof were found in the records, though the statute required the dealer to furnish certain statements and declaration forms in support of his claims. Thus a concession in tax amounting to Rs.2,47,321 was allowed to the dealer without there being any evidence of the prescribed proofs having been furnished.

The Department stated (June 1974) that the assessing officer was being instructed to obtain from the dealer a complete list of claims made by the dealer with all relevant particulars. No further report has been received (March 1975).

(ii) In another case relating to an assessment for the year ending March 1970 made in February 1974, the dealer made a claim for a deduction of Rs.1,20,692 towards erection charges which the assessing officer did not accept as the dealer could not produce documentary proof therefor. Still, 80 per cent. of the claim was allowed without any proof being produced and without the assessing officer being satisfied about the correctness thereof. The tax benefit thus allowed irregularly in this case amounted to Rs.5,475.

The case was reported to the State Government (July 1974). No reply has been received (March 1975).

**20. Incorrect computation of tax:** Several instances were noticed in audit in which the amounts of tax payable by the assessee on completion of the assessments were incorrectly determined resulting in over or under-assessment of substantial amounts as taxes. The following are some of the instances:—

(i) In an assessment for the year ending 31st March 1969 made in March 1973, the total tax payable by the dealer was determined at Rs.1,60,064 against which the dealer had paid Rs.39,214 along with his quarterly returns. The demand raised for the balance of tax due from the dealer was for only Rs.1,10,850 instead of Rs.1,20,850 thus resulting in a short recovery of tax to the extent of Rs.10,000. Audit was informed (October 1973) that a review of the case had been started but no further report of recovery of the amount has been received so far (March 1975).

(ii) In an assessment for the year ending 13th April 1969, made in April 1972, the assessee was held liable for a tax of Rs.2,04,120 and a penalty of

Rs.50,000 as against which the dealer was stated to have paid Rs.89,000 prior to the assessment. On a scrutiny, by audit of the amounts stated to have been paid by the assessee, it was noticed that two payments of Rs.10,000 and Rs.1,500 made in May 1970 and August 1970 were included twice over and in addition, the total of the payment was also found to have been inflated by Rs.1,000. As a result, the balance of tax (including penalty) recoverable from the assessee was wrongly determined to be Rs.1,64,520 instead of Rs.1,77,020.

The mistake was admitted (January 1974) and audit was informed that the assessment would be revised. No further report has been received (March 1975).

(iii) In an assessment made in November 1972 for the period ending Chaitra 1375 B.S. tax was levied on a turnover of Rs.6,87,996 as against the taxable turnover of Rs.5,87,996 determined in the assessment order, resulting in over-assessment of tax to the extent of Rs.5,670. The error was admitted (January 1974) and it was stated that it would be rectified while disposing of the appeal preferred by the assessee. No further report has been received by Audit (March 1975).

(iv) In an assessment under the Central Sales Tax Act for the year 1968 made in December 1972, the tax payable by the assessee was determined as Rs.32,242 and the total of the payments made by him before the assessment was shown as Rs.27,943. On a scrutiny by audit, it was found that the latter amount included a sum of Rs.3,537 paid by the assessee towards the tax due under the State Sales Tax Act and already taken into account in the assessment made under that Act. The correct amount paid by the assessee under the Central Act was thus Rs.24,406 and the balance of tax due from him amounted to Rs.7,836. Another mistake was committed in taking the total of the payments made as Rs.34,110 and ordering a refund of Rs.1,868 to the assessee. As a result of these two errors, the tax payable by the assessee was under-assessed by Rs.9,704. Audit was informed (March 1974) that the errors would be rectified. No further report has been received (March 1975).

**21. Under-assessment of tax on cotton yarn:** While 'cotton yarn' is specifically exempt from tax under the Bengal Finance (Sales Tax) Act, 1941, yarn other than cotton yarn became subject to tax from 15th November 1969. In an assessment for the year 1969 made on a dealer in August 1973, a turnover of Rs.1,26,97,602 shown by the dealer in his accounts as sale of weaving yarn was wholly exempted from tax, though the dealer had applied to the department in July 1968 for registering him as a dealer in yarn other than cotton yarn also. The exact amount of sales of yarn other than cotton yarn for the period 15th November to 31st December 1969, the period during which it became taxable, was not determined and taxed.

The matter was reported to be under investigation (May 1974). The case was reported to Government (June 1974). No further report has been received by Audit in the matter (March 1975).

**22. Under-assessment of Central Sales Tax:** In an assessment under the State Sales Tax Act for the year 1969 made in August 1972, a deduction of Rs.45,28,186 was made from the gross turnover of the dealer as the total of inter-State sales taxable under the Central Sales Tax Act. In the assessment under the Central Act for the same period made simultaneously, the turnover was wrongly taken as Rs.42,72,172 and tax assessed on that basis. There was thus under-assessment of tax amounting to Rs.23,274 on a turnover of Rs.2,56,014 relating to Central Sales Tax.

The case was reported to the State Government in July 1974. No reply has been received (March 1975).

**23. Incorrect exemption allowed under the Central Sales Tax Act:** In an assessment under the Central Sales Tax Act for the year ending 30th June 1968 made in May 1972, sales of 'shaving cup soap' amounting to Rs.23,712 were assessed to tax while the dealer had shown Rs.1,20,159 as inter-State sales of this commodity for the period in the statements of sales furnished by him in connection with his assessment under the West Bengal Sales Tax Act, 1954. In a report of local enquiry conducted by an Inspector of Commercial Taxes in July 1968 also, the total of inter-State sales of this commodity was determined as Rs.1,20,159. There was thus under-assessment of tax amounting to Rs.8,768 on a turnover of Rs.96,447.

The matter was reported to the State Government (June 1974). No reply has been received (March 1975).

**24. Excess deduction from turnover relating to inter-State sales:** In the course of an assessment for the year 1968 made in May 1972, the accounts produced by the dealer indicated sales of canvas (including water-proofing charges), a commodity treated as exempt from tax, to be Rs.11,93,705 of which sales to the extent of Rs.7,73,546 were determined to be inter-State sales and the balance as sales inside the State. In the assessment made simultaneously under the Central Tax Act, exemption towards sales of canvas was allowed for Rs.9,51,174, resulting in an excess deduction of Rs.1,77,628 being allowed from other sales taxable under the Act. This excess deduction led to an under-assessment of tax amounting to Rs.16,148.

The case was reported to the State Government (June 1974). No reply has been received (March 1975).

## CHAPTER IV

## Land Revenue

25. **Non-recovery of rent of Government land:**—Possession of Government land measuring 1 bigha 10 katha 11 chataks 31.5 sq. ft. in Howrah district was given to a private Club since 1957 without any fee or rent being charged or any lease agreement having been entered into. As the Club was found to have put up pucca structures on the land, a proposal to enter into a long-term lease of 30 years with the Club was sent to the Board of Revenue in March 1965. The Board approved in August 1966 the grant of licence only on year to year basis. The annual licence fee payable by the Club was fixed at Rs.6,146 from 1st January 1957 but no demand for payment of the fee was issued till November 1972, by which time the arrears of rent due from the Club amounted to Rs.98,340. Even the demand made in November 1972 for the restricted period from 1st April 1965 had not been realised so far (November 1974) in spite of demand notices issued from time to time, the last notice being issued in November 1972. The interest at 6½ per cent. per annum due from the date of default in the payment of fees, had not been computed, demanded or realised. The Department stated (June 1973) that attempt was being made to realise the dues and after the dues were paid Government would be moved to issue an order in relaxation of the Rules, to allow the (pucca) construction as a special case and the construction would be demolished in the event of Board's order being to the contrary.

The Club had also taken possession of a tank contiguous to the Government land and by mistake paid rent to a municipality at Rs.400 per annum till 1962-63. When the Club was informed in 1963 that the tank also belonged to Government, it ceased to pay any rent either to the municipality or to Government. The arrears of rent due from the Club on this account amounted to Rs.6,800 up to 31st December 1973.

The matter was reported to Government (September 1974); no reply has been received (March 1975).

26. **Non-realisation of rent of Government land leased to a Corporation:** 9 bighas 10 kathas of Government land were leased for 99 years to a transport undertaking of Government in accordance with an order of Government issued in May 1956 at a concessional annual rent of Rs.9,295 subject to the condition that the rent would be doubled if the undertaking was converted into a Corporation. The undertaking was converted into a Corporation from 15th June 1960. No rent had been realised either from the transport undertaking or the Corporation so far (November 1974). The arrears of rent realisable on this account amounted to Rs.3.84 lakhs up to the end of 1972. The Department stated (June 1973) that no agreement

was executed as no rent was paid by the lessee even at the initial stage, and that no payment has been made by the Corporation though demand notices were issued in August 1967 and April 1971.

The matter was brought to the notice of Government in September 1974. Reply is awaited (March 1975).

**27. Loss of Rs.1.70 lakhs as rent due on a lease:** In accordance with a lease for a period of 30 years from 1st April 1967 renewable for further periods of 30 years each, entered into with a private company in 1937, rent for a piece of land leased to it was recoverable, after the expiry of each period of 30 years, at 70 per cent. of the rental value determined under the law for the time being in force. The original lease expired in March 1967 and rent for the next period of 30 years from 1st April 1967 was realisable at Rs.27,870 per annum in accordance with the terms of the lease. The company, however, actually paid rent only at the original rate of Rs.7,800 per annum even after March 1967, the amount of rent short recovered up to 31st March 1974 amounting to Rs.1.40 lakhs, which has not yet been recovered from the company (November 1974). In addition, a further sum of Rs.12,590 and a salami of Rs.17,986 was payable by the company for the period up to March 1974 for an additional area of 10 cottahs taken possession of by it from 1st April 1967.

The Department stated (June 1973) that the recovery of the amounts was under correspondence with the lessee. The matter was reported to Government in September 1974. Reply is awaited (March 1975).

**28. Loss due to non-leasing of Khas Mahal lands:** A review by audit of the records of Khas Mahal lands (Government lands) in one of the districts disclosed that the record of these properties had not been kept in the prescribed forms, nor had the lands been promptly or properly leased or settled and rents had not been recovered regularly. For instance, even though leases of 86 acres of agricultural land and 41 acres of non-agricultural land had expired in 1956 and 1971 respectively, the leases were not subsequently renewed on the basis of fresh valuation and rents recovered on that basis. The non-realisation of rent in these cases amounted to Rs.4.08 lakhs upto 1973, which had not been recovered so far (November 1974) from the occupants. The Department stated (June 1973) that as there was no clear order for resettlement of these lands with the existing lessees, a reference had been made to the Board of Revenue for orders as to how the matter would be settled and that Board's order was awaited.

Several more cases were noticed in the same district in which settlements which had expired as far back as 1952-53 and 1958-59 had not been renewed and revised rents fixed or recovered. The Department stated (July 1973) that the current demand or the arrear demand for these holdings could not be furnished in the absence of certain prescribed registers not being maintained.

The matter was brought to the notice of Government (September 1974). Reply is awaited (March 1975).

**29. Loss due to delay in settlement of a ferry:** The right to ply a ferry service between Kanchrapara and Bansberia was being auctioned each year and it brought in a revenue of Rs.10,500 in 1375 B.S. (1968-69) and 1376 B.S. (1969-70) and Rs.12,500 in 1377 B.S. (1970-71). In 1378 B.S. (1971-72), the lessee whose bid for Rs.10,901 was accepted for the year, surrendered it from 1st Sravan 1378 B.S. (15th July 1971) and no settlement was made for two months. Lease for the two subsequent months was given to another person on a negotiated amount of Rs.858 and the same person was allowed to continue for the remaining five months of the year by paying Rs.2,142. In December 1971, it was decided by the Commissioner that the right to ply the ferry should not be leased beyond by 13th April 1972 (1379 B.S.) for more than three months at a time as a high-level bridge was proposed to be constructed on the spot. The ferry was, therefore, settled on the same person who took the lease in the preceding seven months for a rent of Rs.1,286 per quarter during the years 1379 B.S. (1972-73) and 1380 (1973-74), the rent being fixed by negotiation with that person and not by auction. In September 1973 it was noticed that the site of the proposed bridge was more than half a mile away from the ferry service and that the construction of the bridge was also not likely to affect the plying of the ferry. The proposed bridge had also not come up so far (December 1974). The loss of revenue during the two years 1379 B.S. and 1380 B.S. on account of the decision to lease out the ferry for short periods at a time amounted to about Rs.12,000.

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

**30. Short recovery of Public Works and Road Cesses:** According to a notification of Government issued in April 1968, the rates of Public Works and Road Cesses were doubled with effect from 1375 B.S. (1968-69). In one of the districts (Howrah), it was noticed in audit that the increased rates of the cesses had not been given effect to till 1379 B.S. (1972-73) and the amounts to be recovered upto 1972-73 in nine of the 14 Circles in that district, amounted to Rs.4.99 lakhs, for which no demands had been issued till July 1973. The departmental officers concerned stated (June and July 1973) that the recoveries at the enhanced rates were not made owing to non-receipt of the Government notification of April 1968 in time.

In another district (Birbhum), the short-recovery of the cesses for the same reason amounted to Rs.2.16 lakhs upto 1972-73 in seven out of 19 Circles.

The circumstances under which an important order of Government increasing the rates of levy of cesses was not received in time by the subordinate officers and the omission to recover at the increased rates never came to the notice of the Department for over five years, are not clear.

The cases were reported to Government in (July and September 1974); reply is awaited (March 1975).

**31. Non-recovery of royalty for use of minor minerals:** In paragraph 24 of the Audit Report (Receipts), 1972-73, mention was made of a heavy loss due to non-recovery of royalty from brick manufacturers in a district. In another district (Howrah), it was noticed in audit that even a complete list of brick or tile manufacturers was not available with the Department with the result that no lease deeds had been executed with any of them and royalty due from them had not been assessed or recovered. In eleven of the fourteen Circles in the district, the amount of royalty recoverable but not realised during the period July 1969 to June 1973 was estimated by the Department at Rs.2.61 lakhs.

In the same district, a lease was entered into in 1969 with a Samiti covering the period 29th October 1969 to 28th October 1972 for the extraction of sand from 37.07 acres in two plots against payment to Government of royalty at the rate of Rs.2 per 100 cubic feet. The terms of the lease also provided for monthly returns showing quantity of sand extracted by the lessee and for payment of royalty thereon each month. A check of the accounts of the lessee by the Department in October 1971 disclosed that during the period 1st November 1969 to 31st October 1971 the lessee paid a royalty of Rs.1,214 against a total sum of Rs.2,390 due. It came to the notice of the Department in October and November 1971 that the lessee was unauthorisedly extracting sand from several more plots, the daily extraction being 14,250 cubic feet as against 2,600 cubic feet shown in the returns submitted. The amount due as royalty on this account exceeded Rs.3 lakhs for the period of the lease upto October 1971. The Department stated (July 1973) that heavy unauthorised extraction of sand was made by the Samiti for which Government was losing a heavy revenue and the matter was reported to the authority from time to time. Though some prosecutions were initiated in 1970, no attempt was made to assess and realise the royalty due on the quantities of sand extracted unauthorisedly.

The matter was reported to Government (September 1974); reply is awaited (March 1975).

**32. Arrears of over Rs.30 crores in the recovery of royalty on coal—**  
**(a) Arrears of royalty remaining uncollected at the time of nationalisation of coal mines:** Under the provisions of the West Bengal Estates Acquisition Act, 1953, rights in sub-soil, including rights in mines and minerals, previously owned by zamindars, vested in the State Government from 15th April 1955 and all the leases previously granted by the intermediaries were deemed to have been granted by the State to the lessees on the same terms and conditions. The validity of the vesting of the rights over the mines and minerals was challenged in the court and the court held in January 1960 that fresh notification by Government was necessary to acquire the rights of lessees and of sub-lessees of mines. The law was amended in November 1964 so as to dispense with the necessity for fresh notifications. The royalty on coal and other minerals thus became payable to the Government from 15th April 1955.

According to the arrangements introduced by the Government in April 1969, the assessments of royalty on all the coal and other mines in the State were made by the Chief Mining Officer while the recoveries of the amounts so assessed, were to be made by the Land Revenue Department. Though the instructions issued by the Board of Revenue in July 1969 provided for periodical intimations of the recoveries effected by the Land Revenue Officer being sent to the Chief Mining Officer, it was noticed in audit that no systematic records had been maintained by the latter to indicate the actual recoveries against the assessments made.

In respect of coal, there was considerable uncertainty about the rate of royalty to be charged from the lessees of the coal mines. The lease agreements by the ex-intermediaries provided for different rates of royalty for different mines and these rates continued to remain in force from the date of vesting (15th April 1955) of the rights in the Government. However under the Mines and Minerals (Regulation and Development) Act, 1957, royalty on coal was chargeable at 5 per cent. of the F.O.R. price of coal despatched but in terms of a notification issued by the Government of India, dated 29th December 1961, this rate was determined as the rate mentioned in the lease agreements or 2½ per cent. of the F.O.R. price whichever was higher, in respect of mining leases granted before 25th October 1949. This notification was superseded by another issued in January 1966 by which the rate in respect of all the leases were fixed at the rate fixed in the Act, viz., 5 per cent. of F.O.R. price from 1st January 1966. In February 1969, the State Government decided that in view of a decision given by the Supreme Court in 1966-67, the State Government was not bound to levy royalty at the rates fixed by the Central Government from time to time but was entitled to claim royalty at 5 per cent. from the date of vesting itself (15th April 1955) in respect of all the leases. Directions were accordingly issued for assessment of the royalty at this rate. Consequently all the assessments previously made had to be revised and the enhanced amounts notified to the Revenue Department for recovery. Out of 315 collieries for which assessments for royalty had to be made, assessments were made only for 291 collieries upto October 1974. The Department stated (October 1974) that in the remaining 24 cases no assessment could be made as neither any lease document could be traced nor the whereabouts of the lessees be traced. In addition, there were 118 collieries which had been closed down after their vesting with the State and in these cases no information was available to audit whether any assessments of royalty and dead rent dues upto the date of closure had been made and if so, whether any portion of the dues had been realised. Even in respect of the assessments completed, a test check by audit disclosed several cases of under-assessment due to mistakes in assessing the quantity of coal despatched, determining their F.O.R. price, etc.; the under-assessments amounted to about Rs.1.93 lakhs in 11 assessments relating to three collieries for various periods.

Following the nationalisation of coking coal mines under the Coking Coal Mines Act, 1972, the coal mines situated in West Bengal and other States



were taken over by the Coal Mines (Taking Over of Management) Act, 1973, with effect from the 30th of January 1973. Subsequently, the coal mines were nationalised under the Coal Mines Nationalisation Act, 1973 (26 of 1973). Under this Act, the right, title and interest of the owners in relation to coal mines specified in the Schedule to the Act stood transferred and vested absolutely in the Central Government free from all encumbrances with effect from 1st May 1973. It was also provided in the Act that the Central Government shall not be liable for any prior liability of any owner, agent, manager or managing contractor of a coal mine in respect of any period prior to 1st May 1973 and that such liability shall be enforceable against the owners, agents, managers or managing contractors, as the case may be, and not against the Central Government.\* "Liability" has been defined to include royalties, rights, rents and taxes.

The Act provided for the payment of compensation to the erstwhile owners of the coal mines and this compensation was payable not directly to the owners, but to a Commissioner of Payments, who, under the Act, was under an obligation to deduct from such amounts arrears due to any employee of the coal mine for any balance of arrears of provident fund, pension fund, gratuity fund or any other fund or as wages due by the previous owner, and thereafter provide for the payment of all secured debts due from the owner of the coal mine. After deducting the sums due on account of these two items of liabilities, any amount due to the State Government, including royalty and dead rent, is payable from out of the balance of the compensation. This order of priority (which differs from the order of priority in the Coking Coal Act of 1972, under which all sums due to the State Government for royalty, rent or dead rent rank equally among all the liabilities owed by the owner) would result in the amount available, out of the compensation payable, for payment of arrears of royalty and dead rent due to the State Government by the erstwhile owners being reduced. According to the information furnished to Audit by the Senior Land Reforms Officials of Asansol and Burdwan in Burdwan district, the arrears due by the erstwhile owners on account of royalty and dead rent prior to nationalisation amounted to Rs.31.6 crores. This amount is likely to be further enhanced if arrears due by other coal mines are added. Even though under the provisions of the Coal Mines Nationalisation Act these arrears can be enforced as the personal liability of the owners, no action has as yet been taken by the State Government against these erstwhile owners. Besides, the reasons for non-recovery of these royalties and rent in due time without allowing them to fall in arrears have also not been furnished.

(b) **Arrears of royalty after the nationalisation:** The assessment in respect of the coal mines from the date of their take-over by the Central Government have not so far been completed (October 1974). The Department stated (October 1974) that the amount of royalty for the year 1973-74 may amount to Rs.3.5 crores, out of which a sum of Rs.2.85 crores was stated to have been realised till 31st March 1974.

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\* Section 7 of the Coal Mines Nationalisation Act, 1973 (26 of 1973.)

## CHAPTER V

## Entry Taxes

33. **Introductory:** A tax on the entry of certain goods (tea and fresh fruits) into local areas comprising Calcutta, 24-Parganas and Howrah is levied by the West Bengal Taxes on Entry of Goods in Local Areas Act, 1962 (hereinafter referred to as TEGLA) which was given retrospective effect from 27th September 1955. A tax on the entry of certain specified goods into the Calcutta Metropolitan Development Area (CMDA) is levied by the Taxes on Entry of Goods into Calcutta Metropolitan Area Act, 1972 (hereinafter referred to as Entry Tax Act) which was given effect to from 16th November 1970. While the proceeds of TEGLA are used for the general purposes of the State, the proceeds of the Entry Tax are distributable to the various local bodies in the Calcutta Metropolitan Development Area mainly to supplement their revenues and also to any department of the State Government for the execution of any development project within the Calcutta Metropolitan Development Area.

The tax under the TEGLA Act is assessed and collected by the personnel entrusted with the assessment and collection of Sales Tax and the Entry Tax is administered by a separate department created for the purpose.

34. **Absence of checkposts for levy of tax:** The tax leviable under the TEGLA is assessed and collected on the basis of arrivals of the consignments of tea and fruits in the principal markets of the local area. While checkposts have been set up at Howrah and Shalimar Railway Stations and Dum Dum Airport, no such posts have been set up in any of the important trunk roads leading to Calcutta so as to ensure that goods brought into the area by road but not taken to the principal markets are also taxed.

The matter was brought to the notice of Government (July 1974). No reply has been received (March 1975).

In the case of Entry Tax, it was noticed by audit that while checkposts had been set up on all the principal roads leading to the Calcutta Metropolitan Development Area, one of the checkposts (Hossanabad checkpost in Hooghly district) controlling the entry of goods into that area from the north was located about 3 kilometres inside the border of that area with the result that taxable goods received by several timber depots and brickfields located between the border and the checkpost escaped levy of tax. In addition, one of the roads leading to a part of the area from a railway station (Mogra) not in that area, was not found to be covered by any checkpost with the result that goods taken to the area through that road escaped taxation by not being subjected to any scrutiny at a checkpost.

These matters were brought to the notice of the Government (May 1974). Reply is awaited (March 1975).

35. **Defects in the implementation of the law:** A test check by audit, of the assessments of Entry Tax and other records connected therewith in one of the major checkposts (Hossanabad checkpost in Hooghly district) disclosed the following defects and irregularities:—

- (1) In respect of goods taxable *ad velorem*, the rules framed under the Act provide for the value being determined on the basis of the prices indicated in the invoices, bills etc., accompanying the goods; in the absence of these documents, or when the assessing officer is not satisfied about the reasonableness of the value shown, he is empowered to determine the value on the basis of the approximate saleable values of the goods. No procedure or system has been prescribed or is followed for ascertaining the saleable values of the goods which commonly pass through the checkpost, with the result that under-assessments of tax have been noticed in several instances in which the values of the goods had not been correctly shown in the invoices. The following are some instances:—
  - (a) In October 1972, the tax on two consignments of Glaxo and Complan carried across the checkpost was assessed on the basis of their values shown in the invoices as Rs.40,595 and Rs.53,217 respectively. Subsequently in December 1972, it came to notice that these two consignments had earlier been valued by the Central Excise authorities at Rs.79,200 and Rs.1,04,879 respectively.
  - (b) The value of a consignment of 8,736 kilograms of a popular brand of milk food transported across the checkpost in November 1972 was declared to be Rs.52,321 while the value of another consignment of the same quantity carried in the same month to Calcutta for export out of India (and hence exempt from entry tax) was shown to be £3,573 (Rs.85,438).
- (2) Goods entering C.M.D.A. but intended for immediate export are not liable for the tax and hence the rules provide for escorting of such consignments from the checkposts to the places of export and filing of prescribed declarations at the checkpost duly endorsed by the officers of the department at the place of export. A test check of the records relating to some consignments shown to be for immediate export disclosed that the escort was not provided during the movement of the goods, though the prescribed fee was realised and the declarations signed by the officers at the place of export were not kept on record, there being thus no proof that the goods were exported at all. For instance, a firm transported 38 rolls of woollen carpets valued at Rs.1.64 lakhs through the checkpost in January 1973 without payment of tax on a declaration that the goods were intended for export out of India. After over a month the firm filed in February 1973 proof of export for eight rolls and for the remaining 30

rolls valued at Rs.1.30 lakhs, no proof of export had been filed even till December 1973. The tax foregone in this case amounted to Rs.1,300. The same firm similarly transported 197 rolls in February 1973 but proof of export was filed only for 177 rolls, the proof for the remaining 20 rolls having not been filed so far (March 1975). The power available under the Act for inspecting the premises of the firm so as to ascertain the disposal of the goods for which no proof of export had been furnished, had not been exercised in this case.

- (3) In respect of taxable goods passing through the C.M.D.A. but not sold, used or consumed in that Area, the law provides for exemption from levy of tax subject to transit passes obtained at the point of entry into the C.M.D.A. being endorsed by checkposts at the point of exit, in proof of the goods having left the C.M.D.A. The assesseees are also required to render accounts in the prescribed form for such goods. No records were available to Audit in the checkpost whether the conditions prescribed for the exemption from tax had been fulfilled and whether the Department had satisfied itself that the goods which had not been subjected to the levy of tax had not in fact been sold, used or consumed within the C.M.D.A. For instance, in October 1972, a firm transported 2,410 radio sets across the checkpost with a declaration that they were all intended for sale outside the C.M.D.A. The firm informed the checkpost seven months later in May 1973 that 134 radios from this consignment were sold in the C.M.D.A. area; the tax on these goods was assessed and realised only in May 1973. No proof was produced by the firm that the other 2,276 sets had in fact been sold outside the C.M.D.A. nor did the Department verify the facts at any time by inspection of the accounts of the dealer.
- (4) Goods belonging to Government are exempt from Entry Tax and Government issued instructions in September 1971 that such goods should be accompanied by certificates in the prescribed form given by heads of departments or other officers specifically authorised in this behalf. It was observed in many cases that though the certificates had not been given by the authorised officers, the consignments were allowed to pass without the tax being levied. In seven such instances pertaining to the period February 1973 to March 1973, the certificates were shown as given by subordinate officers, who were neither heads of departments nor officers authorised in that behalf.
- (5) Goods belonging to charitable institutions and local bodies passing through the checkpost into the C.M.D.A. are not taxable provided these institutions submit quarterly reports about the utilisation of the goods. No records of such cases have been kept in the checkpost for the periods prior to 8th December

1972 and in respect of 37 such cases in which goods were transported through the checkpost during the period December 1972 to June 1973, the prescribed reports had not been obtained and scrutinised.

- (6) In cases where a short levy of tax had come to notice subsequently, the rules prescribe issue of notices to the assesseees and initiation of proceedings for the recovery of the tax short-levied. It was noticed in audit that no systematic record had been kept in the checkpost about such cases, and in seven cases which came to the notice of audit, no action to recover the tax short-levied (amounting in all to Rs.3,206) had been taken till December 1973 though notices had been issued to the assesseees in February 1971 to March 1973. In two more cases, no notices had been issued at all to the assesseees though short recovery of tax amounting to Rs.224 had been noticed in October 1972 and March 1973 respectively.

These irregularities were brought to the notice of Government in May 1974. No reply had been received (March 1975).

**36. Collection of Entry Tax by Calcutta Port Trust:** In respect of goods chargeable to Entry Tax arriving at Calcutta Port for sale, use or consumption in C.M.D.A., tax is assessed by the Entry Tax Department but collected by the Port Trust authorities along with the Port dues, under an arrangement agreed upon between the State Government and the Port Trust in November 1970.

The taxes so collected by the Port Trust are periodically credited to the State Government by remittances into the Reserve Bank of India. No reconciliation had been made by the Entry Tax Department between the figures of tax due according to the records of assessment in respect of the goods that arrived at the Port and the collections of the tax remitted into the Bank by the Port Trust. For instance, in 1972-73, the total amount due from the Port Trust according to its assessment records after deducting the commission due to it, was Rs.116.46 lakhs while the actual amount remitted into the Bank amounted to Rs.111.79 lakhs. The short realisation of Rs.4.67 lakhs has not been explained (March 1975).

Under an arrangement with the State Government, the Port Trust is entitled to a commission of 3 per cent. of the taxes collected to cover its expenses. It was, however, observed that the Port Trust had been deducting commission at 5 per cent. The extra amount retained by the Port Trust during the period November 1970 to March 1973 amounting to Rs.2.45 lakhs has not been recovered so far (November 1974).

The matter has been reported to Government in September 1974. Reply is awaited (March 1975).

**37. Collection of Entry Tax by Railways:** In accordance with arrangements made by the State Government with the Railways in November 1970 Entry Tax assessed on goods arriving at all the railway stations in C.M.D.A. for sale, use or consumption in that area, is to be collected by the Railways along with freight and other recoveries made from the consignees. After deducting commission at 3 per cent. towards expenses for collection, the Railways are required to transfer the tax collections to the State Government by book transfer. No arrangements have been made by the Department to reconcile the amounts due from the Railways as per the records of assessment with the amounts actually credited to the State Government. No information was available whether all the amounts collected as Entry Tax by the Railways have been received by the State Government or whether the amounts retained by the Railways as commission were in accordance with the agreement.

The matter was brought to notice of the State Government (September 1974). Reply is awaited (March 1975).

**38. Heavy accumulation of refund cases:** The Entry Tax Act, 1972, provides for refunds of the tax under certain circumstances such as when the goods initially brought into the C.M.D.A. for sale, use or consumption, are subsequently exported out of it. It was observed in audit that there were delays in the disposal of these applications for refunds, thus leading to heavy accumulation of cases. According to the information furnished by the Department in February 1974, the total number of such cases relating to the period upto March 1973 was over 15,000 involving claim of about Rs.44.68 lakhs as detailed below :

Period	No. of claims	Amount in lakhs of rupees
16-11-1970 to 31-3-71 .. .. .	974	2.98
1-4-1971 to 31-3-1972 .. .. .	6646	21.77
1-4-1972 to 31-3-1973 .. .. .	7407	19.93
Total ..	<u>15,027</u>	<u>44.68</u>

The Department stated that 149 of these cases involving claims amounting to Rs.1.70 lakhs were disposed of till February 1974, all these claims being rejected.

The matter was reported to Government (September 1974). Reply is awaited (March 1975).

**39. Irregular refund of tax:** The TEGLA Act does not provide for refund of any tax paid under the Act unless it was paid in excess of the amount lawfully due. Instances were noticed in audit where refunds were allowed in respect of tax paid on tea brought into the local areas but

subsequently exported out of the areas, though there was no specific provision in the Act permitting such refunds. In 20 such cases, refunds amounting to Rs.13,285 were made during December 1972 to February 1973.

The matter was reported to Government in July 1974. No reply has been received so far (March 1975).

**40. Under-assessment of Entry Tax on cotton seed oil:** According to the schedule of rates of tax notified by Government in April 1972 under the provisions of the Entry Tax Act, 1972, tax at the rates of Rs.2 per 50 kilograms is leviable on unrefined groundnut oil and til oil, and the tax on other oils, not specifically mentioned, is levied at 6 per cent. *ad valorem*. It was noticed in audit that consignments of cotton seed oil were being charged to tax at the rate of Rs.2 per 50 kgs. instead of at 6 per cent. *ad valorem*. In 12 such cases of entry of 3,090 quintals of cotton seed oil in July 1972 and December 1972, the tax under-assessed amounted to Rs.98,872.

The Department agreed to look into the matter (February 1974). The matter was also reported to Government (September 1974). Further report is awaited (March 1975).

**41. Under-assessment of tax on tungsten filament:** Tungsten filament is an article required for the manufacture of electric lighting equipment and according to the rates of tax notified by Government in April 1972, it is chargeable to entry tax at 2 per cent. *ad valorem* whereas the tax on 'electrical fitting and electrical materials' is 1 per cent. *ad valorem*. It was noticed in audit that tungsten filament used for manufacture of bulbs was being wrongly treated as 'electrical fittings and electrical materials' and charged to tax at 1 per cent. instead of at 2 per cent. In 18 such cases assessed during July 1972 and December 1972, the under-assessment of tax amounted to Rs.10,131.

The matter was brought to notice of Government in September 1974 and reply is awaited (March 1975).

## CHAPTER VI

**Electricity Duty**

42. **Introductory:** The receipts under this head comprise mainly fees for inspection and licenses issued under the Indian Electricity Act, 1910 and duty levied by the Bengal Electricity Duty Act, 1935, on the consumption of electrical energy in the State. By an Act called the West Bengal Duty on Inter-State River Valley Authority Electricity Act, 1973, duty was levied retrospectively from 1st February 1958 on the consumption in West Bengal of energy generated, distributed, sold or consumed by an inter-State river valley authority.

43. **Omission to watch levy and recovery of duty on energy generated privately:** Owing to large-scale "load-shedding" particularly in 1973-74 due to shortfall in power generation and other causes, several consumers were licensed by the Chief Electrical Inspector to instal power generators of substantial capacities as alternative sources of energy when the regular supply failed. During the year 1973-74, over 800 such licences were issued with the condition that suitable metering equipment should be installed to indicate the amount of energy generated and consumed and that the owners of the generators would be liable to pay duty on the electricity generated and consumed. It was noticed in audit that no arrangements had been made for a regular and periodical inspection of these generators for ensuring that suitable meters had been installed, for reading the meters so installed, or for assessing and recovering the duty on the energy consumed from out of such private generation. Consequently, power generated and consumed from these private generators had not been charged to duty. The amount of loss on this account could not be assessed in the absence of arrangements for ascertaining the quantity of energy so generated and consumed.

The Department stated (August 1974) that considerable extra staff would be required for undertaking this work and that the matter had been referred to Government. No further report has been received (March 1975).

44. **Short collection of duty from a public sector undertaking:** A public sector undertaking licensed to supply power in West Bengal from 1964-65 had failed to submit regularly the periodical returns prescribed by law. Even the few returns submitted by it were found to be defective and incomplete as they did not indicate seperately the units chargeable at different rates of duty. A review by audit disclosed that during the four years 1968-69 to 1971-72 for which returns were available, the duty payable by the licensee had been calculated by it incorrectly in the returns and amount of short payment of duty during the four years amounted to Rs.27.94 lakhs in the case of bulk supply and Rs.3.08 lakhs in the case of domestic supply. The returns for the year 1972-73 had not been filed so far by the licensee (March 1975).

The matter was brought to the notice of Government (December 1973) and Government stated (July 1974) that necessary instructions had been issued to the licensee.



**45. Irregular payment of rebate:** In terms of an order issued by Government in July 1970 under provision of the Act, a licensee is entitled to a rebate at a prescribed percentage of the collections of duty made by him subject to a maximum of Rs.1,000 per month, towards cost of collection of the duty from the consumers and the rebate has to be claimed from and paid by Government separately after the duty is deposited. A licensee in the public sector availed of the rebate at one per cent. of the collections by remitting to Government only the balance of the amounts collected and did not also restrict the rebate to the ceiling of Rs.1,000 per month. The total amount of rebate thus retained by the licensee as rebate during the three years ending 31st March 1972 amounted to Rs.1.01 lakh out of which the extra rebate availed of unauthorisedly by the licensee amounted to Rs.0.65 lakh.

The matter was brought to notice of Government (December 1973).

**46. Short levy of surcharge:** A surcharge of 10 per cent. on the duty payable on industrial power is also leviable in cases where the quantity of energy consumed for lights and fans is not metered separately but integrated with the consumption in any industrial or manufacturing process. In the case of three licensees it was noticed that the surcharge was not levied though the returns filed by them for the year 1972-73 did not indicate that the consumption for lights and fans had been metered separately. The short levy of duty on this account amounted to Rs.1.32 lakhs.

The Department agreed (July 1973) to obtain clarification from the licensees. The matter was reported to Government (December 1973) but no reply has been received (March 1975).

**47. Shortfalls in the number of statutory inspections of electrical installations:** By an order, dated 29th June 1965, issued by Government under the Indian Electricity Rules, 1956, statutory inspections have to be carried out once a year, in the case of high and extra high voltage installations and once in 3 years in the case of medium voltage installations, by Electrical Inspectors of Government, a prescribed fee being levied for such inspections. It was observed in audit that no systematic records were being maintained by the Department showing the installations which were due for statutory inspection, those which had been inspected and the results of such inspections. According to information furnished by the Department (June 1973), the number of installations required to be inspected and actually inspected were as under:

Nature of installation	No. to be inspected	No. inspected.	Shortfall	Percentage of (4) to (2)
(1)	(2)	(3)	(4)	(5)
High and extra high voltage ..	1,859	1,138	721	38.8
Medium voltage ..	44,474	3,440	41,034	92.3

The heavy shortfall in the inspections particularly in the case of medium voltage installations resulted in the statutory responsibility of Government

to inspect and ensure the safety of the installations not being discharged in a large number of cases. In addition, the shortfalls, in inspection also involved a loss of Rs.4.82 lakhs in fees. The Department stated (June 1973) as under:—

“Indeed the installations due for inspection has assumed a staggering proportion simply because the existing strength of the Inspectorate does not touch the fringe of requirement. To play its role fruitfully and effectually and to cope with the volume of statutory inspection of installations devolved on this Directorate, it is imperative that this Directorate should be manned properly in the ultimate financial interest of Government.”

It was added that a proposal had been submitted to Government about eight years ago wherein it had been proved that 13 additional posts of Assistant Electrical Inspectors required for discharging the statutory obligations of the Department would not involve any extra expenditure to Government because of the additional fees expected to be recovered. The proposals are yet to be approved by the Government.

## CHAPTER VII

**Stamp Duty and Registration Fees**

48. **Introductory:** Stamp duty is levied under two Central Acts, namely the Indian Stamp Act, 1899 and the Court Fees Act, 1870, as amended by the State Legislature from time to time. The Stamp Act imposes duty on various instruments specified in a schedule thereto and the duty is paid by the executors of the instruments by affixing stamps of requisite value or using impressed stamp paper. The Court Fees Act levies or authorises levy of fees on various documents filed before the Courts and the other judicial authorities of the State, the fees being paid by affixing impressed or adhesive stamps of requisite value on the documents. The documents filed before certain quasi-judicial authorities also are required to be affixed with Court Fee Stamps of prescribed value, in terms of the statutes governing the proceedings before such authorities.

Under the Indian Registration Act, 1908, certain types of documents are to be registered for being admitted as evidence in Court of law. The Act confers power on the State Government to prescribe the rate of fees payable for registration of documents, for searching registers, for making or granting copies of documents, etc. The fees prescribed are collected on presentation of documents for registration or application for search, certified copies, etc. at the registry office.

49. **Omission to recover additional Stamp Duty:** The sole executor of a will had declared the net value of the assets of the deceased at Rs.1,02,98,056 in January 1963 in a petition for probate filed before a Court. The Court granted the probate on 26th September 1963 to the sole executor and the stamp duty of Rs.7,12,013.50 based on the declared value of the assets was paid by the executor. The order of the Court was communicated by the Board of Revenue to the Collector during 1963 for proper valuation of the assets of the deceased and for levying the appropriate stamp duty in terms of section 19E of the Court Fees Act, 1870, under which additional stamp duty may be demanded from the person applying for probate if the valuation of the assets estimated and shown in the application for probate is subsequently found to be low on verification. After a period of over eight years, in September 1971, the Collector assessed the value of the assets at Rs.3,58,60,515 and determined the short payment of stamp duty at Rs.25,10,236. As the party failed to deposit the deficit stamp duty in spite of the demand therefor, the Collector forwarded the case to the Board of Revenue in March 1973 for the recovery of the deficit stamp duty after the imposition of penalty prescribed by law. No action had been taken by the Board in this matter so far and it was reported that the file was not readily available (November 1974).

The matter was reported to Government in August 1973. Reply is awaited (March 1975).

**50. Incorrect exemption leading to short recovery of Stamp Duty:** In terms of the Court Fees Act, 1870, a deduction of the amount of funeral expenses actually incurred is allowed to be made from the total value of assets for purposes of assessing the fee payable for the grant of probate of the will of the deceased. In a particular case it was noticed in audit that a deduction of Rs.1,00,000 was allowed as funeral expenses, though according to the details furnished by the executor of the will, only Rs.4,583 could be treated as funeral expenses. The extra amount allowed as deduction resulted in under-assessment of the fee to the extent of Rs.6,679.

The case was reported to Government in August 1973. No reply has been received (March 1975).

**51. Loss of revenue due to non-levy of surcharge:** A surcharge at 20 per cent. of the stamp duty was levied with effect from 1st December 1964 in respect of certain instruments by a Government order issued in November 1964 and it was clarified by Government in October 1972 that the surcharge was leviable also on the increased rates of duty levied from 1st November 1972. In spite of this clarification having been issued prior to the coming into force of the increased duty, there was delay in implementing the clarification by the various registration offices with the result that the surcharge was not levied on the increased duty from 1st November 1972 but from later dates, the delay extending upto three weeks in several cases. A test check of some cases in 74 Registration Offices revealed that during 1972-73 the short levy of surcharge amounted to Rs.25,788.

The matter was reported to the Government in August 1974. Reply is awaited (March 1975).

**52. Loss of revenue due to non-levy of additional stamp duty:** By an amendment made by the Parliament to the Indian Stamp Act, 1899, from 15th November 1971, certain instruments were chargeable with an additional stamp duty of 10 paise, to be paid by affixing adhesive stamps bearing the inscription 'Refugee Relief'. There were delays extending even upto two months in some cases in realising the additional stamp duty and several instruments which should have been subjected to the levy were admitted for registration without the requisite stamp being affixed thereon. A test check by audit in 37 Registration Offices disclosed that in 51,709 documents registered during 1972-73 the additional duty had not been levied.

The matter was brought to the notice of Government in August 1974. Reply is awaited (March 1975).

**53. Irregular recovery of registration fees on exempted instruments:** In terms of Government notifications issued in July 1972, instruments executed by farmers and agriculturists for obtaining loans up to Rs.5,000 for sinking shallow tube-wells, purchase of agricultural machinery etc. were

exempted from registration fees from 1st July 1972. It was, however, noticed during test audit that this exemption was not given effect to in several cases. In eight Registration Offices, exemption was not given in 1,069 cases and registration fee of Rs.28,528 was collected on such documents even though they were duly exempted from the levy of the fees by the Government.

The matter was brought to the notice of Government in December 1973. No reply has been received (March 1975).

## CHAPTER VIII

## Other revenue receipts

*Section A—Motor Vehicles Tax*

**54. Omission to prevent fraudulent use of forms of receipts-cum-tax tokens:** In September 1969, the Government Press and Forms Department reported that two books of receipts-cum-tax tokens, each containing fifty forms, were missing from the Press and as all attempts to trace the two books had failed, the Public Vehicles Department was requested to cancel them. Wide publicity about the loss of the two books was given by the Public Vehicles Department and all concerned were requested not to accept the tokens contained in the two books but to inform the Department if any had been received.

One of the missing forms of receipt-cum-tokens was presented to the Public Vehicles Department in February 1970 showing that tax amounting to Rs.510 was paid for the period 1st November 1969 to 31st January 1970 and tax for the subsequent period of three months was accepted by the Department on that basis. It was subsequently noticed in July 1970 that the payment of tax for the period in question had not actually been made by the owner of the vehicle and that the tax token presented in proof of that payment was not genuine. The owner was called upon to pay the amount of tax due for that period, which he did on 17th July 1970 and no further action was taken either to investigate how one of the missing receipt-cum-tokens had been utilised or to seek the help of the police for tracing the other receipts and the culprits who had apparently come to have them. Thus the possibility of the remaining 99 forms missing from the Press also having been similarly used fraudulently cannot be ruled out.

The matter was brought to the notice of Government in August 1974 but no reply has been received (March 1975). The Department, however, reported to Government in September 1974 that though all possible steps were taken for preventing the use of the missing forms, the representative of the owner of the vehicle who presented one of the missing tokens was not handed over to the police, as no such orders were passed by the then Taxing Officer.

**55. Heavy arrears of road tax due from a State Transport Corporation:** A Transport Corporation, having over 1,100 vehicles liable to pay road tax has been defaulting in the payment of the tax from April 1969 and the arrears of tax due from it upto March 1974 amounted to over Rs.80 lakhs. An appeal in respect of outstanding dues amounting to Rs.60.38 lakhs upto December 1972 preferred by the Corporation to the Transport Commissioner with a plea that it could not pay the tax owing to financial difficulties, was rejected by that authority (September 1973) but the tax arrears had not been recovered so far (March 1975) from that Corporation. Though there is no provision in the taxing statute or the notifications issued thereunder for exempting vehicles owned by a State Transport Corporation from tax, the

Corporation represented to Government in October 1973 that it should be exempted from payment of tax. No order has been passed by Government so far (March 1975) on this representation.

**56. Failure to check movements and receipt of tax in West Bengal of vehicles registered in other States:** According to reciprocal arrangements made by West Bengal with the Transport Authorities of other States in terms of section 25 of the Motor Vehicles Act, 1939, the amounts of road tax due in respect of vehicles registered in other States plying temporarily in West Bengal are realised by the authorities of the other States in advance and remitted to the Public Vehicles Department at Calcutta along with copies of temporary permits issued for the period of their stay in this State. Under these arrangements, over 15,000 vehicles on an average enter and temporarily ply in West Bengal, the actual number in 1973-74 being 18,757. It was noticed in audit that no arrangements had been made in the Public Vehicles Department at Calcutta either to verify the correctness of the amounts of tax realised and remitted by the authorities in the other States or to ensure that the vehicles in question had not remained or plied in West Bengal for periods beyond those for which temporary permits had been issued and tax had been realised. In para. 36 of the Audit Report (Receipts) 1972-73, it was mentioned that 650 cases of under-assessment of tax amounting to Rs.24,863 were noticed in such cases during 1971-72. In respect of temporary permits received during November 1973 test checked in audit during 1973-74, 142 cases of under-assessment of tax were noticed involving a loss of revenue of Rs.8,408. The Department reported to Government (September 1974) that the checking of the correctness of the tax received was being done as far as practicable with the help of the existing staff.

The copies of the temporary permits received at Calcutta were not sent to the taxing authorities of the areas where the vehicles were intended to ply, in order to enable those authorities to check whether the vehicles had overstayed and whether any further amounts were realisable as tax for the periods of overstay.

The matter was reported to Government in August 1974. Reply is awaited (March 1975). The Department reported to Government (September 1974) that:—

“This office is never concerned with permits, if any, relating to arrivals of vehicles in the districts. Such permits meant for the districts, if there is any, might be sent to the District Authorities direct or through the Secretary, Home (Transport) Department, Government of West Bengal, centrally for necessary action.”

**57. Short recovery of tax:** In a vehicle registration office, a test check of taxes realised for the various periods in 1972-73 and 1973-74 in two of the 23 series disclosed that in 74 cases the tax had been realised without taking into account the enhancements made in the rates of tax from 1st August 1972, resulting in short recovery of Rs.12,198 as taxes in those cases.

In a similar test check of one series in a district, 78 cases of under-assessment of tax amounting to Rs.6,373 were noticed. In another district, 48 cases of under-assessment during 1972-73 amounting to Rs.17,816 were noticed due to application of incorrect rates of tax, omission to recover tax for certain periods without recording reasons, etc.

These cases were reported to Government (April 1974). No reply has been received (March 1975).

*Section B—Amusement Tax*

**58. Irregular grant of exemption from tax:** Under the provisions of the Amusement Tax Act, 1922, the Collectors of the districts are empowered by Government to grant exemptions from amusement tax in respect of any entertainments held in aid of charitable, philanthropic or religious purposes. A test check of the exemptions allowed by the Collectors in two of the districts disclosed that in several cases the conditions prescribed by or under the law had not been fulfilled. The following are a few instances:—

- (1) In one district, 193 exemptions from tax were granted during the year 1972-73 for entertainments held for various philanthropic purposes and security deposits ranging from Rs.100 to Rs.300 were collected from the organisers for the due fulfilment of the conditions governing the grant of exemption. In none of the cases, the accounts of the entertainments were either received or examined to verify that the proceeds of the entertainment were utilised, as required under the law, on the objects for which the exemption from tax was granted. No action had also been taken to realise from the organisers the tax due where the conditions had not been fulfilled or to adjust the security deposits against the dues.
- (2) In the same district, casual cinema, magic and other shows were allowed to be held in 11 instances during the year 1971 subject to the tax due being paid by the organisers but neither any accounts were received from the organisers nor the tax due collected from them so far. In one of these cases a magic show was allowed to be held for 25 days against a security deposit of Rs.50 and the party was reported to have left the place after the period without paying the tax due from him, the amount of which had not been assessed.
- (3) In another district, exemption from tax was allowed in February 1974 for a film show to be held in March 1974 on the ground that the proceeds of the show would be donated for the construction of a Holiday Home to be run for the benefit of the organisers of the show, though the exemption was not admissible under the law for this purpose. It was stipulated that the accounts of the show should be submitted within 30 days but this condition was also not fulfilled by the organisers of the show.



- (4) In another case in the same district, exemption from tax was allowed in December 1973 for a Jatra performance proposed to be held for 43 days from 17th December 1973, though there was no specific request from the organisers for exemption from tax. No security deposit was obtained from the organisers nor were the accounts of the performance submitted or called for with a view to verifying whether the conditions for the grant of exemption from tax had been fulfilled.

These cases were reported to Government in May 1974 and August 1974. No replies have been received (March 1975).

*Section C—State Excise*

59. **Irregular diversion of imported ethyl alcohol to the distilleries:** In December 1971, the State Government informed the Ministry of Petroleum and Chemicals that the requirements of alcohol of the State for the alcohol year 1971-72 (December 1971 to November 1972) amounted to 58 million bulk litres, of which 46 MBLs were stated to be required for industrial purposes and 12 MBLs for potable purposes. Internal production was estimated 7.5 MBLs and the balance 50.5 MBLs was required to be arranged by the Ministry of Petroleum from other States and as imports from abroad. The Ministry allotted 18.5 MBLs for supply from other States and agreed to allow imports from foreign sources for the balance. For the year 1972-73, the requirements of alcohol were reported by the State Government to be of the same order as for 1971-72 and the allotment made from other States amounted to 12.03 MBLs. As regards imports from abroad, the State Government obtained three licences between March 1972 and February 1973 for the import of 46,500 metric tonnes. Further, the State Government obtained orders for exemption of customs duty in respect of these three consignments subject to an undertaking being given by it that the alcohol to be imported would be used solely for industrial purposes in the State of West Bengal with a further certificate that the alcohol is already denatured to the satisfaction of the Government of West Bengal or would move under bond to bonded warehouses under the control of the Commissioner of Excise, Government of West Bengal. It was further stipulated that the use of ethyl alcohol would be under the supervision of the Excise Commissioner. Having obtained the import licence and the exemption orders with the conditions referred to above, the State Government permitted a private concern to import the entire quantity covered by the three licences by executing necessary letters of authority in its favour.

A total quantity of 56.7 MBLs of ethyl alcohol was imported during the period July 1972 to July 1973, out of which 50.99 MBLs are stated to have been denatured. However, there is no record available, nor any certification obtained from the Chemical Examiner to Government to find out the correctness and extent of denaturing. Of the remaining quantity 5.2 MBLs were released for use by the pharmaceutical industry, hospitals and dispensaries and for manufacture of potable liquor in quantities of 2.34 MBLs, 0.05 MBLs and 2.82 MBLs respectively. Thus, more than 50 per cent. of the remaining quantity was diverted for use for manufacture of potable liquor, in contravention of the undertaking executed by the State Government that the whole of the imported quantity would be used for industrial purposes. Further, 0.50 MBLs has been claimed as wastage, the correctness and reasonableness of which has not been verified. No wastage by evaporation is prescribed under the State Excise Rules and, therefore, duty on this 0.50 MBLs should have been collected. In addition to the 2.82 MBLs released by the State Government for manufacture of potable liquor, the importing firm also had diverted 0.29 MBLs to local distilleries for potable liquor, instead of using it in accordance with the undertaking given by the State Government. Lastly even though the State Government had undertaken to supervise the use of imported alcohol for industrial purposes, no records are available about the actual supervision exercised to see that the alcohol was put the use for which it was imported.

**60. Short realisation of security from venders:** In terms of a notification issued in May 1966 under the Excise Act, the holder of a licence for sale of country spirit is required to pay, before the commencement of the period for which the licence is granted, a security deposit equivalent to a month's licence fee calculated on the basis of the fee paid in the previous year. Such deposits in respect of foreign liquor shops should be equivalent to two months' licence fees, in accordance with a notification issued in January 1960.

A review of the cases in a district (Hooghly) disclosed that, in several instances, the amounts of security deposit obtained from country spirit and foreign liquor licensees were far below the amounts prescribed. In 27 such instances in that district, the total amount of short recovery of deposits during 1972-73 amounted to Rs.69,538. The Department stated (July 1973) that necessary steps were being taken in the matter.

In another district (Purulia), the short recovery of the deposits noticed in 11 instances amounted to Rs.22,868. The Department stated (February 1974) that steps were being taken to realise the balance amounts due.

The matter was reported to Government in August 1974. Reply is awaited (March 1975).

**61. Arrears in recovery of licence fees:** The licence fee for a month is payable within the 15th of the month, the rate of the fees being determined on the basis of issues from warehouse in the case of country spirit and ganja, and of sales in the case of foreign liquor, during the preceding month. In one district it was noticed that the prescribed date for payment of licence fees had not been enforced strictly and arrears were allowed to accumulate. In 28 such cases in that district a sum of Rs.30,810 remained outstanding as on 31st March 1973 in respect of licence fees due during the year 1972-73. The Department agreed (February 1974) to review these cases.

The matter was reported to Government (August 1974). Reply is awaited (March 1975).

**62. Non-recovery of duty on shortages in transit:** In accordance with the excise laws, shortages of spirit noticed in transit from the distilleries to the bonded warehouses in excess of the permissible limits, (which vary from  $\frac{1}{2}$  per cent. to 5 per cent., depending on the duration of transit and the type of the containers used) are chargeable to duty at the highest rate of duty ruling in the area through which the consignments were transported. It was, however, noticed during test audit that during the period April 1972 to February 1973, the shortages of spirits in transit had exceeded the permissible limit and recovery of duty amounting to about Rs.18,000 on a shortage of 1,362 L.P. litres in excess of the permissible limit, had not been made so far (November 1974). The Department stated (February 1974) that the cases had been reported to the Commissioner from time to time but no orders had been received.

In another district, a loss of 232 litres in transit was noticed during the period January 1973 to March 1973. The Department stated (August 1973) that demands amounting to Rs.7,336 had been made on the party concerned but no information was available till November 1974 as to whether the amount had been realised.

The cases were reported to Government in August and September 1974 and final reply is awaited (March 1975).

#### *Section D—Forest Receipts*

**63. Loss in the sale of Khair trees to a local firm:** The highest tender accepted by a Forest Division in 1972-73 for the sale of lot of 1,962 Khair trees measuring 991.403 cubic metres, was Rs.3,62,101 which worked out to a rate of Rs.365.17 per cubic metre. On the recommendation of the Forest Department made in June 1972, Government issued orders in July 1972, that another lot of 1,000 trees, measuring 576.74 cubic metres, might be sold to a local firm at a rate fixed on the basis of the average of the last three years *plus* 10 per cent. which worked out to Rs.288.81 per cubic metre. This resulted in a loss of about Rs.44,000 to Government. One of the unsuccessful tenderers subsequently offered (June 1973) Rs.1 lakh more for the lot of 991.403 cubic metres on the ground that the prices of

Khair trees had increased during the period but this offer (which worked out to Rs.465 per cubic metre) was not accepted by the Department as it was received after the highest sealed tender had been accepted.



T. B. NAGARAJAN,  
*Accountant-General, West Bengal.*

CALCUTTA,  
The 19 AUG 1975.

Countersigned.



A. BAKSI,  
*Comptroller and Auditor-General of India.*

NEW DELHI,  
The 21 AUG 1975.

## ANNEXURE

Statement showing comparative position of revenue collected under the head Taxes on Motor Vehicles and number of registered vehicles in Maharashtra and Tamil Nadu

(Reference : Para 6(c)—Page 13)

		<b>Maharashtra</b>	
Year		Revenue collected (In crores of rupees)	*Total number of registered vehicles in the State
1969-70	.. ..	13.06	2,27,926
1970-71	.. ..	13.98	2,57,539
1971-72	.. ..	15.39	3,11,669
1972-73	.. ..	16.33	3,42,370
1973-74	.. ..	19.73	3,74,854
		<b>Tamil Nadu</b>	
1969-70	.. ..	19.47	1,31,102
1970-71	.. ..	21.84	1,47,227
1971-72	.. ..	22.99	1,54,878
1972-73	.. ..	26.15	1,02,395
1973-74	.. ..	27.63	1,66,556

\*Total number of registered vehicles in Maharashtra are as on 1st January 1969 and onwards

