

**Report of the Comptroller  
and Auditor General of India  
for the year 1975-76**

**Revenue Receipts**





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## PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of West Bengal for the year 1975-76 is presented in a separate volume as was done last year. The material in this Report has been arranged in the following order :—

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

(ii) Chapters II to VIII set out certain cases and points of interest which came to notice during the audit of Sales Tax, Agricultural Income Tax, Land Revenue, Mines and Minerals, State Excise, Motor Vehicles Tax and Other Tax and Non-Tax Receipts.

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



# CHAPTER I

## GENERAL

### 1. Trend of revenue receipts

The total receipts of the Government of West Bengal for the year 1975-76 was Rs.562.35 crores against the anticipated receipts of Rs.488.22 crores. The total receipts during the year registered an increase of 49.4 per cent over that of 1973-74 (Rs.376.50 crores) and an increase of 22.2 per cent over those in 1974-75 (Rs.460.19 crores). Of the total receipts of Rs.562.35 crores, the State Government raised Rs.346.81 crores, of which Rs.282.97 crores represented "Tax Revenue" and Rs.63.84 crores was "Non-Tax Revenue". Receipts from the Government of India by way of share of Central taxes and grants-in-aid amounted to Rs.215.54 crores.

2. (a) **Analysis of revenue receipts.**—An analysis of the receipts during 1975-76 along with the corresponding figures for the preceding two years is given below :

	1973-74	1974-75	1975-76
	(In crores of rupees)		
I. Revenue raised by the State Government—			
(a) Tax revenue .. .. .	191.09	224.84	282.97
(b) Non-tax revenue .. .. .	40.30	54.68	63.84
Total ..	<u>231.39</u>	<u>279.52</u>	<u>346.81</u>
II. Receipts from the Government of India—			
(a) State's share of divisible Union taxes ..	96.26	101.68	134.14
(b) Grants-in-aid .. .. .	48.85	78.99	81.40
Total ..	<u>145.11</u>	<u>180.67</u>	<u>215.54</u>
III. Total receipts of the State (I+II) ..	376.50	460.19	562.35
IV. Percentage of I to III .. .. .	61.4	60.7	61.7

The receipts from the Central Government by way of the State's share of Union taxes and grants-in-aid during the year 1975-76 worked out to about 38 per cent of the total receipts of the State. The State's own mobilisation amounted approximately to 62 per cent.



(b) **Tax revenue raised by the State.**—An analysis of the tax revenue for the year 1975-76 and for the preceding two years, is given below :

	1973-74	1974-75	1975-76	Increase in 1975-76 with reference to 1974-75
(In crores of rupees)				
1. Taxes on Agricultural Income	0.92	0.90	2.41	1.51
2. Land Revenue .. ..	7.32	8.34	12.96	4.62
3. State Excise .. ..	20.26	22.55	26.55	4.00
4. Taxes on Vehicles .. ..	8.96	9.39	10.21	0.82
5. Sales Tax .. ..	101.69	125.07	159.12	34.05
6. Stamps and Registration Fees	15.29	17.55	19.67	2.12
7. Taxes and Duties on Electricity	11.57	10.39	12.83	2.44
8. Taxes on Goods and Passengers	14.05	16.50	18.78	2.28
9. Other Taxes and Duties on Commodities and Services.	11.03	14.15	20.40	6.25
10. Taxes on Immovable Property*	..	..	0.04	0.04
Total ..	191.09	224.84	282.97	58.13
Percentage of the receipts from tax revenue to the State's own revenue receipts.	82.6	80.4	81.6	1.2

The bulk of the increase under the State taxes was under Sales Tax (Rs.34.05 crores), Other Taxes and Duties (Rs.6.25 crores), Land Revenue (Rs.4.62 crores), Taxes and Duties on Electricity (Rs.2.44 crores), State Excise (Rs.4.00 crores), Taxes on Goods and Passengers (Rs.2.28 crores) and Stamps and Registration fees (Rs.2.12 crores). Sales tax continued to be the principal source of revenue of the State during the year 1975-76, receipts therefrom constituting about 56 per cent of the total tax collections for the year.

(c) **Non-tax revenue of the State.**—The principal sources of non-tax revenues of the State were Interest, Police, Public Works, Other Administrative Services, Miscellaneous General Services, Medical,

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

Agriculture, Minor Irrigation, Forests and Industries, constituting about 77 per cent of the non-tax revenue of the State during the year 1975-76. An analysis of non-tax revenue under the principal sources for the year 1975-76 and the preceding two years, is given below :

	1973-74	1974-75	1975-76	Increase(+)/ decrease(-) in 1975-76 with reference to 1974-75
(In crores of rupees)				
1. Interest .. ..	8.68	10.44	8.08	(-) 2.36
2. Police .. ..	0.42	1.39	1.63	(+) 0.24
3. Public Works .. ..	0.69	1.16	1.40	(+) 0.24
4. Other Administrative Services	2.45	3.92	3.84	(-) 0.88
5. Miscellaneous General Services	1.09	2.40	2.07	(-) 0.33
6. Medical .. ..	0.80	5.58	6.81	(+) 1.23
7. Agriculture .. ..	5.60	8.65	17.57	(+) 8.92
8. Minor Irrigation, etc. ..	0.69	1.30	1.73	(+) 0.43
9. Forests .. ..	4.82	5.13	6.00	(+) 0.87
10. Industries .. ..	2.74	3.79	2.57	(-) 1.22
11. Others .. ..	12.32*	10.92*	12.14	(+) 1.22
Total ..	40.30	54.68	63.84	(+) 9.16

\*The decreases over the figures in the Audit Reports for 1973-74 and 1974-75 by Rs. 4.92 crores and Rs. 8.78 crores in respect of 1973-74 and 1974-75, respectively, were due to exclusion of figures pertaining to Minor Irrigation, Public Works, Other Administrative Services and Miscellaneous General Services.

### 3. New taxation proposals

In order to augment resources during 1975-76, the State undertook new measures of taxation, particulars of which are given in Appendix I to this report. All the changes on account of new taxation measures were post-budget changes, the yield from which was not worked out at the Budget stage. The quantum of additional resources to be raised by the State was contemplated at Rs.12.00 crores.

#### 4. Variations between the Budget estimates and the actuals

(i) The actual receipts compared to the Budget estimates during the three years 1973-74 to 1975-76 were as under—

	Year	Budget estimates	Actuals	Variation excess(+) shortfall(-)
(In crores of rupees)				
A. Tax revenue .. ..	1973-74	179.37	191.09	(+)11.72
	1974-75	194.78	224.84	(+)30.06
	1975-76	236.58	282.97	(+)46.39
B. Non-tax revenue ..	1973-74	53.73	40.30	(-)13.43
	1974-75	58.38	54.68	(-) 3.70
	1975-76	59.71	63.84	(+) 4.13

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

Heads of revenue	Year	Budget estimates	Actuals	Variation (+)excess (-)shortfall	Percent-age of variation
(1)	(2)	(3)	(4)	(5)	(6)
(In crores of of rupees)					
1. Taxes on Agricultural income.	1973-74	1.00	0.92	(-) 0.08	8.0
	1974-75	1.02	0.90	(-) 0.12	11.8
	1975-76	0.92	2.41	(+) 1.49	161.9
2. Land Revenue ..	1973-74	9.25	7.32	(-) 1.93	20.9
	1974-75	9.03	8.34	(-) 0.69	7.6
	1975-76	9.80	12.96	(+) 3.16	32.2
3. State Excise ..	1973-74	19.65	20.26	(+) 0.61	3.1
	1974-75	20.90	22.55	(+) 1.65	7.9
	1975-76	26.50	26.55	(+) 0.05	0.2
4. Taxes on Vehicles	1973-74	8.15	8.96	(+) 0.81	9.9
	1974-75	9.25	9.39	(+) 0.14	1.5
	1975-76	10.00	10.21	(+) 0.21	2.1

Heads of revenue	Year	Budget estimates	Actuals	Variation (+) excess (-) shortfall	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
(In crores of rupees)					
5. Sales Tax	1973-74	92.50	101.69	(+) 9.19	9.9
	1974-75	104.00	125.07	(+) 21.07	20.2
	1975-76	125.00	159.12	(+) 34.12	27.3
6. Stamps and Registration Fees.	1973-74	10.05	15.29	(+) 5.24	52.4
	1974-75	11.08	17.55	(+) 6.47	58.4
	1975-76	17.75	19.67	(+) 1.92	10.8
7. Taxes and Duties on Electricity.	1973-74	12.84	11.57	(-) 1.27	9.7
	1974-75	12.96	10.39	(-) 2.57	19.7
	1975-76	14.80	12.83	(-) 1.97	13.3
8. Taxes on Goods and Passengers	1973-74	12.79	14.05	(+) 1.26	9.9
	1974-75	12.96	16.50	(+) 3.54	27.3
	1975-76	18.00	18.78	(+) 0.78	4.3
9. Other Taxes and Duties on Commodities and Services.	1973-74	13.14	11.03	(-) 2.11	16.1
	1974-75	13.97	14.15	(-) 0.18	1.3
	1975-76	13.81	20.40	(+) 6.59	47.7
10. Taxes on Inmovable Property.	1975-76	(a)	0.04	..	..

(a) There was no Budget estimate of receipts under the West Bengal Multi-storeyed Building Tax Act, 1975, which are accounted for under this head.

In the case of Taxes on Agricultural Income, Land Revenue, Sales Tax, Stamps and Registration Fees, Taxes and Duties on Electricity and Other Taxes and Duties on Commodities and Services, the variations were in excess of ten per cent. The reasons for variation in these cases are awaited (May 1977).

### 5. Cost of collection

The expenditure incurred during 1975-76 on the collection of various tax revenue and the percentage of the cost of collection to the tax revenues collected during the three years 1973-74 to 1975-76 are given in Appendix II.

## 6. Arrears of revenue

The arrears of Land Revenue and Electricity Duty pending realisation as on 31st March 1976 amounted to Rs.18.58 crores as indicated below :

### (a) Land Revenue

	(In crores of rupees)	Remarks
Balance as on 1st Baisakh, 1382 B.S. (15th April 1975).	8.05	The amount of arrears of land revenue as on 1st Baisakh, 1382 B. S. has been reduced from Rs. 9.08* crores to Rs. 8.05 crores due to exemption of land revenue in respect of raiyats holding lands not exceeding 3 acres with effect from 1376 B. S. (i.e. 1969-70) and due to remission of land revenue in flood and drought affected areas.
Demand raised during the year (1975-76).	6.81	
Total ..	<u>14.86</u>	
Collections made during the year 1382 B. S. (i.e. 1975-76).	7.29	
Balance outstanding as on last day of 1382 B. S. (13th April 1976).	7.57	

Year-wise break-up of the balance outstanding is awaited (May 1977).

### (b) Electricity Duty

	(In crores of rupees)	
Balance as on 1st April, 1975 ..	..	9.05
Demand raised during the year 1975-76 ..	..	14.72
Total ..	..	<u>23.77</u>
Collections made during the year 1975-76 ..	..	12.76
Balance outstanding as on 31st March, 1976 ..	..	11.01

Year-wise break-up of the balance outstanding is awaited (May 1977).

The information in respect of arrears of other tax and non-tax receipts is awaited from the concerned departments of Government (May 1977).

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\*The amount of arrears on the last day of 1381 B.S. (14th April 1975) was Rs. 9.08 crores.

## CHAPTER II

## SALES TAX

**7. Results of test audit**

Test audit during 1975-76 of documents of Commercial Tax Offices revealed under-assessment of tax of Rs.71.54 lakhs in 188 cases and over-assessment of Rs.0.20 lakh in one case. The under-assessment was due to reasons categorised below :

Nature of irregularity	Number of cases	Amount of tax involved (In lakhs of rupees)
1. Irregular exemption .. .. .	98	38.28
2. Omission to tax certain sales .. .. .	67	25.48
3. Irregular concession .. .. .	12	5.72
4. Omission to levy penalty .. .. .	3	0.57
5. Incorrect determination of taxable turnover .. .. .	4	0.21
6. Incorrect computation of tax .. .. .	3	0.79
7. Allowance of irregular deduction .. .. .	1	0.49
	188	71.54

Some important cases of under-assessment/over-assessment are detailed in the following paragraphs.

**8. Irregular exemption on sale of rock phosphate**

Under the Bengal Finance (Sales Tax) Act, 1941, fertiliser was exempted from tax till 14th November, 1969. But, according to a department circular issued in August 1960, rock phosphate was not treated as fertiliser for this purpose.

In the assessment of a dealer for the year ending 31st March 1969, exemption from tax was granted on a sum of Rs.69,75,244 representing sale of rock phosphate. This irregular exemption resulted in under-assessment of tax amounting to Rs.3,95,496.

On this being pointed out in audit (May 1976), the department admitted the mistake (May 1976) and agreed to review the case. Further developments are awaited (May 1977).

The matter was reported to Government in August 1976 ; reply is awaited (May 1977).

### **9. Irregular exemption of beltings**

Under the Bengal Finance (Sales Tax) Act, 1941, sale of cotton fabrics, as defined in the Central Excise and Salt Act, 1944, is exempt from the levy of tax. Hair belting, industrial belting and transmission belting do not fall within the definition of cotton fabrics as defined in the Central Excise and Salt Act, 1944. Sales of these commodities cannot, therefore, be exempted from tax.

In the course of audit it was however, noticed that in 7 assessments under the Bengal Finance (Sales Tax) Act, 1941 and 4 assessments under the Central Sales Tax Act, 1956, in respect of 4 dealers, for various periods ranging between 1968-69 and 1972-73, made between March 1973 and February 1975 exemptions from the levy of tax were granted on sales of hair belting, industrial belting and transmission belting by treating these commodities as cotton fabrics. This resulted in short levy of tax aggregating Rs.11,23,757 on a total turnover of Rs.1,46,84,833.

The matter was reported to Government between November 1975 and April 1976. Reply is awaited (May 1977).

### **10. Irregular grant of exemption on sale of tea**

Mention was made, in paragraph 11 of the Report of the Comptroller and Auditor General of India on Revenue Receipts, for the year 1974-75, of instances of irregular grant of exemption from levy of tax on the direct sales of tea by the tea gardens to the registered dealers, on the strength of brokers' certificates, on the basis of an executive instruction issued by the department in December 1969.

During 1974-75 it was noticed in audit that similar exemption was irregularly granted in sixteen assessment cases of eleven dealers, relating to various periods between the years ending December 1970 and December 1973, on a total turnover of Rs.57.57 lakhs. The amount of tax forgone worked out to Rs.3.26 lakhs.

All these cases were reported to Government between September 1975 and February 1976 ; reply is awaited (May 1977).

### **11. Incorrect exemption of sales of cotton waste**

Sales of cotton are exempt from tax but once cotton has been used in process of manufacture, a by-product resulting from the manufacture, viz., cotton waste, cannot be considered as cotton but it is a different commercial commodity. Cotton waste is thus not exempt from tax. In two successive Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1973-74

(paragraph 13) and 1974-75 (paragraph 19), cases of non-levy of tax amounting to Rs.9.23 lakhs on sales of cotton waste by incorrectly treating it as cotton had been pointed out.

In the course of audit it was noticed during 1975-76 that in 54 assessments in respect of 28 dealers, for various periods ranging between 1969 and 1974, under the Bengal Finance (Sales Tax) Act, 1941 and Central Sales Tax Act, 1956, made during January 1973 to March 1975, turnover aggregating Rs.2.10 crores on both intra-State and inter-State sales of cotton waste was not subjected to tax resulting in under-assessment of tax of Rs.13.53 lakhs.

The matter was reported to Government between September 1975 and May 1976 ; reply is awaited (May 1977).

## **12. Irregular exemption on sale of woollen carpets**

Mention was made in paragraph 9 of the Report of the Comptroller and Auditor General of India on Revenue Receipts, for the year 1974-75, of assessment cases in which exemption from tax was irregularly granted on sale of woollen carpets treating them as woollen fabrics as per departmental instructions issued in December 1968, although Government clarified in September 1972 that "all wool tuft carpets are not woollen fabrics".

During 1975-76 it was noticed that in seven assessments under the Bengal Finance (Sales Tax) Act, 1941, and five assessments under the Central Sales Tax Act, 1956, in respect of two dealers, for the periods ending June 1969 to 1973, made between November 1972 and January 1975, similar exemption from tax to the tune of Rs.3,69,508 was irregularly granted on both intra-State and inter-State sale of woollen carpets for Rs.33,34,937 and Rs.1,14,861, respectively.

The matter was reported to Government in November 1975 ; reply is awaited (May 1977).

## **13. Non-levy of tax on sewing thread**

Mention was made in paragraph 7 of the Report of the Comptroller and Auditor General of India on Revenue Receipts, for the year 1974-75, of irregular exemption from tax on sale of sewing thread, by treating the article as cotton yarn which is exempt from tax under the Bengal Finance (Sales Tax) Act, 1941, although the two articles materially differ from one another.



Similar irregular exemption was granted in the assessments of another dealer for the two years ending December 1969 and 1970, made in June 1973, on sale of sewing thread amounting to Rs.39,51,233, treating it as cotton yarn. This resulted in under-assessment of tax to the extent of Rs.2,24,035.

The matter was reported to Government in September 1975 ; reply is awaited (May 1977).

#### **14. Under assessment of tax on sale of rayon waste**

Under the Bengal Finance (Sales Tax) Act, 1941, rayon yarn was exempted from tax till 14th November, 1969, after which it becomes taxable at the concessional rate of 2 per cent. However, rayon waste is not the same commodity as rayon yarn since it passes through some manufacturing process before it becomes a different taxable commodity.

In the assessments of a dealer under the Bengal Finance (Sales Tax) Act, 1941 and the Central Sales Tax Act, 1956, for the year ending March 1970, made in January 1974, turnovers amounting to Rs.1,65,822 and Rs.2,03,527 on intra-State and inter-State sales of rayon waste, respectively, were exempted from tax, by treating them as rayon yarn. The tax forgone worked out to Rs.29,755.

In the assessment of another dealer under the Central Sales Tax Act, 1956, for the period March 1971 to June 1972, made in March 1975, sale of rayon waste amounting to Rs.79,251 was taxed at the concessional rate of 2 per cent by treating it as rayon yarn, although in the assessment under the State Act, of the same dealer for the subsequent period, the dealer's claim for exemption from tax on sale of rayon waste was rejected on the ground that rayon waste was not the same commodity as rayon yarn. This irregular application of concessional rate of tax resulted in under-assessment of tax amounting to Rs.6,340.

Both the cases were reported to Government between November and December 1975 ; reply is awaited (May 1977).

#### **15. Non-levy of tax on fertiliser**

Under the Bengal Finance (Sales Tax) Act, 1941, fertiliser is taxable at the rate of two per cent with effect from 15th November, 1969. In the assessment of a dealer for the period ending Chaitra 1377 B.S. (1970-71), made in October 1974, a sum of Rs.4,80,000 representing sale proceeds of fertiliser was exempted from tax, without recording any reasons therefor. This resulted in non-levy of tax amounting to Rs.9,408.

On this being pointed out in audit (June 1975), the department agreed (August 1975) to review the case. Further developments are awaited (May 1977).

The matter was reported to Government in December 1975 ; reply is awaited (May 1977).

#### **16. Sales not subjected to tax**

Mention was made in paragraphs 9 and 21 of the Report of the Comptroller and Auditor General of India on Revenue receipts for 1973-74 and 1974-75, respectively, of instances of non-levy of tax on transactions in connection with or ancillary or incidental to trade, commerce, etc., which were taxable by virtue of certain amendments made in 1967 to the Bengal Finance (Sales Tax) Act, 1941. These amendments were held to be a valid piece of legislation in a recent judgement of the Calcutta High Court reported in 38 STC 163.

It was noticed in audit in 1975-76 that in 49 other assessment cases in respect of 46 dealers, for various periods from 1968 to 1974, made between February 1972 and October 1975, similar casual and non-recurring sales involving Rs.11.98 lakhs were not subjected to tax resulting in under-assessment of tax of Rs.88,442.

The cases were reported to Government between September 1975 and September 1976. Reply is awaited (May 1977).

#### **17. Non-inclusion of transport charges in the sale price**

Under the Bengal Finance (Sales Tax) Act, 1941, the sale price of goods includes any sum charged for anything done by the dealer at any time before the delivery of goods and the cost of freight or delivery is excluded from sale price, only where such cost is agreed to be charged separately.

In the course of audit of one circle it was noticed that in the assessment of a dealer for the year 1378 B.S. (1971-72), made in May 1974, transport charges amounting to Rs.3,25,224 were not included in the sale price by the assessing officer. While assessing the same dealer for the year 1379 B.S. (1972-73), the transport charges claimed by the dealer were taxed on the ground that the sale price was inclusive of transport charges as per agreement with the purchasing company and that the ownership of goods was transferred after delivery of goods at purchaser's place. The non-inclusion of transport charges in sale price in the assessment for the year 1971-72 resulted in under-assessment of tax to the tune of Rs.9,488.

The matter was reported to Government in February 1976. Government stated (January 1977) that the case was under appeal and the audit observations were reported to the appellate authority for consideration at the time of hearing of appeal. Further development is awaited (May 1977).

#### **18. Non-inclusion of canteen sales in the gross turnover**

Under the Bengal Finance (Sales Tax) Act, 1941, business includes any transaction in connection with or ancillary or incidental to a trade, commerce, manufacture, adventure or concern. Sales made through a canteen maintained by an assessee are incidental to the business of the firm and all such sales are taxable under the Act.

In the assessment of a dealer for the year ending December 1970, made in November 1974, sales of tea and snacks from its canteen amounting to Rs.2,20,953 were not included in his gross turnover for the year and were, therefore, not subjected to tax leading to under-assessment of tax of Rs.12,528. On this being pointed out in audit (October 1975), the department agreed to review the case (November 1975).

The matter was reported to Government in March 1976; Government stated (January 1977) that the assessment had been set aside for a fresh assessment. Further development is awaited (May 1977).

#### **19. Non-inclusion of surcharge on sales tax**

Under the West Bengal Sales Tax Act, 1954, sale price means the amount of the money consideration for the sale of notified commodities manufactured within the State or brought into the State from outside, for the purpose of sale within the State. Accordingly, sales tax and surcharge thereon should form part of the sale price. In September 1974 the department clarified that both surcharge and additional surcharge should form part of the total sale price.

It was noticed in audit that in the assessment of a dealer for the years ending December 1972 and December 1973, made between January and April 1975, surcharge on sales tax aggregating Rs.1,60,709 was excluded from the turnover, resulting in under-assessment of tax of Rs.14,088.

The matter was reported to Government in September 1976; Government stated (January 1977) that the assessment had been set aside for reassessment. Further development is awaited (May 1977).

## 20. Omission to include sales on hire-purchase in the gross turnover

Under the Bengal Finance (Sales Tax) Act, 1941, "a transfer of goods on hire-purchase or other instalment system of payment shall, notwithstanding that the seller retains a title to any goods as security for payment of the price, be deemed to be a sale".

It was, however, noticed in audit (May 1976) that no uniform practice was followed in enforcing these legal provisions. While a dealer's sales on hire-purchase up to the year ending July 1969 were included in his gross turnovers for the corresponding years and assessed to tax, such sales for succeeding years were not assessed to tax, on the ground that the transactions were not complete. By omission to include such sales on account of hire-purchase in the gross turnovers of five consecutive years from 1970 to 1974, tax amounting to Rs.60,984 remained unrealised on a total turnover of Rs.5,69,408.

The matter was reported to Government in August 1976 ; reply is awaited (May 1977).

## 21. Turnover escaping assessment

The assessment of a dealer under the Central Sales Tax Act, 1956, for the period ending September 1965, was completed in July 1973 and inter-State turnover of notified commodities was assessed at Rs.47,02,139. Subsequently in December 1973 at the time of assessment of the same dealer for the same period under the West Bengal Sales Tax Act, 1954, the inter-State turnover of notified commodities was determined at Rs.59,61,287 and allowed as deduction in the computation of net taxable turnover. It was, however, noticed in audit (December 1974) that no action was taken by the assessing officer to revise the assessment under the Central Sales Tax Act, 1956. Consequently, a sum of Rs.12,59,148 was not assessed to Central sales tax. This resulted in under-assessment of tax of Rs.1,25,915.

The matter was reported to Government in September 1975. Government stated (January 1977) that the assessment had been set aside for a fresh assessment. Further development is awaited (May 1977).

## 22. Incorrect determination of sales in the course of export and import

Under the Central Sales Tax Act, 1956, sales in the course of export or import are exempt from tax.

A sale of goods shall be deemed to take place in the course of export of goods out of the territory of India only if the sale either occasion such export or is effected by a transfer of documents of title

to the goods after the goods have crossed the customs frontier of India. Thus, a transaction of sale which is preliminary to export of the commodity sold may be regarded as a sale for export. By virtue of an amendment to the Central Sales Tax Act, 1956, effective from 7th September 1976, the last sale or purchase of any goods preceding the sale or purchase occasioning the export of these goods out of the territory of India, shall also be deemed to be in the course of such export, if such last sale or purchase took place after and was for the purpose of complying with the agreement or order for or in relation to such export.

A sale of goods shall be deemed to take place in the course of import of the goods into the territory of India only if the sale either occasions such import, or is effected by a transfer of documents of title to the goods, before the goods have crossed customs frontiers of India. Thus, all sales effected by transfer of documents of title to the goods, after the goods have crossed the limits of the territorial waters of India, were not treated as sales in the course of import. But under the Central Sales Tax (Amendment) Act, 1976, 'crossing the customs frontiers of India means crossing the limits of the area of a customs station in which imported goods or exported goods are ordinarily kept before clearance by customs authorities'.

2. In the following cases, sales within India were treated as sales in the course of import and sale for export were treated as sales in the course of export.

(a) In the assessment of a dealer for the period ending March 1971, made in January 1975, an assessing officer allowed a dealer's claim for exemption from payment of tax on Rs.2,18,73,273 being sales in the course of import on the ground that the dealer had taken delivery of the imported goods at Calcutta and either sent them direct to the work sites of the buyers or sold against actual user's licence by transfer of documents of title to the goods.

As there was no transfer of documents of title to the goods outside the customs frontiers of India, the sales were not sales in the course of import. There was no privity of contract between the ultimate buyers and the foreign sellers. The purchases made by the dealer from the foreign sellers occasioned the movement of the goods. There were thus two independent sales in this transaction—the first between the foreign seller and the dealer, and the second between the dealer and the local buyers. The link between the two sales was not inextricable. Thus, the sales made by the dealer not being in the course of import were not exempt from tax. The amount of tax involved in this incorrect exemption worked out to Rs.6,37,085.

On this being pointed out in audit (July 1975), the department agreed to look into the case (September 1975). Further developments are awaited (May 1977).

(b) In an assessment for the year ending December 1970, made in November 1974, a dealer's claim of Rs.2,86,250 was excluded from his taxable turnover, being his claim for sales in the course of import and the assessing officer allowed it. The dealer purchased machinery from abroad, in pursuance of an order of the Director General of Supplies and Disposal on the dealer, to supply the machinery to another company. The import licence was issued by the Government of India at the instance of the Director General of Supplies and Disposal.

It was pointed out in audit (November 1975) that the case was identical to the case Binani Brothers (P) Ltd. and another decided by the Supreme Court in December 1973 (33 STC 254) and that there were two sales, the first between the foreign seller and the dealer and the second between the dealer and the Director General. The contract between the Director General of Supplies and Disposal and the dealer was a separate contract of sale and this contract did not occasion the movement of goods from the foreign seller. The dealer had to enter into another contract with the foreign seller to import machinery.

Even if the contract envisaged the import of goods and their supply to the Director General of Supplies and Disposal from out of the goods imported, it did not follow that the movement of goods in the course of import was occasioned by the contract of sale by the dealer with the Director General of Supplies and Disposal. The under-assessment involved in the case worked out to Rs.16,170.

(c) In the assessment of a dealer for the year ending March 1968, made in August 1974, he was allowed exemption from sales tax in respect of turnover of Rs.4,84,80,959 being sales in the course of export. From the list of invoices it was noticed that the parties on whose behalf the invoices were issued were all Indian and not foreign buyers. The parties, mentioned in the list, obtained allotment for export of some commodities and actually exported the goods as per customs invoices after purchasing these commodities from the dealer.

The introduction of a third party breaks the link between the first sale and the ultimate export. This irregular exemption resulted in loss of revenue to the extent of Rs.14,12,067.

On this being pointed out in audit (August 1975), the department agreed to review the assessment (August 1975). Further developments are awaited (May 1977).

(d) A tea trader of West Bengal claimed as export sale, the goods despatched by him in gift packets, by registered postal parcel, to persons abroad, in fulfilment of the orders placed by their friends

and relatives residing in West Bengal who paid the whole amount payable. But such sales cannot be treated as sales in the course of export, as the dealer is under contractual obligations to the buyers of the State who pay the price and not to the foreign recipients of the goods and the transfer of documents of the title to the goods is effected within this State. Such sales should have therefore been treated as sale within the State and brought to tax, under the Bengal Finance (Sales Tax) Act, 1941.

In the assessment of the dealer for the year ending June 1966, made in May 1970, his claim for exemption from tax on a sum of Rs.57,792 as export sales, was disallowed as these sales were made on orders placed by the residents of this State. But in the reassessment made in December 1974, on the dealer's appeal, the entire amount was accepted as export sale and exempted from tax. In subsequent assessments for the years ending June 1967 to June 1971 (except for the year ending June 1970 which was under appeal), similar exemption was granted to sales made on orders placed by the residents of the State, by incorrectly treating them as sales in the course of export. This resulted in under-assessment of tax of Rs.20,896 on a turnover of Rs.3,77,792.

The cases referred to above were reported to Government between October 1975 and March 1976 ; Government stated (January 1977) that the assessment mentioned in sub-paragraph (b) above was under revision. Further development is awaited (May 1977).

### **23. Delay in assessment**

The department seized the records of an unregistered dealer of Calcutta in March 1967 and determined in July 1967 that the dealer was liable to pay tax both under the Bengal Finance (Sales Tax) Act, 1941, and under the Central Sales Tax Act, 1956, with effect from February and April 1965, respectively. In November 1969, a notice was issued to the dealer for production of his books of accounts for further examination but he did not comply. Similar notice issued three times between April 1970 and June 1971, was received back from the Postal Department since the addressee was not traceable. Ex parte assessments were made in September 1971 both under the Bengal Finance (Sales Tax) Act, 1941, for the period February 1965 to October 1970 and under the Central Sales Tax Act, 1956, for the period April 1965 to October 1970. The dealer's gross turnovers, under the State and the Central Acts respectively, for the aforesaid periods were determined at Rs.30,00,000 and Rs.25,00,000 and the tax payable calculated at Rs.13,151 and Rs.65,201. Demand notices issued in October 1971, under both the Acts, were also returned undelivered since the dealer was not traceable.

The delay in assessment thus resulted in a total loss of revenue of Rs.78,352. The case was reported to Government in November 1975; Government stated (March 1977) that the dealer was still untraceable.

#### **24. Loss of revenue owing to time bar**

Under the Bengal Finance (Sales Tax) Act, 1941, if the Commissioner is satisfied that any dealer who has been liable to pay tax in respect of any period has failed to get himself registered, the Commissioner shall proceed to assess to the best of his judgement the amount of tax due from the dealer in respect of such period and all subsequent periods. But no assessment shall be made in such cases after the expiry of six years from the end of the year in respect of which or part of which the assessment was due.

In the course of audit it was noticed (July 1976) that a dealer who was liable to pay tax from July 1965 was first assessed to tax in November 1975 for the period commencing from July 1969 to June 1970 only, as the assessment for the earlier period was time-barred. No reasons for non-assessment of the dealer for the earlier period were recorded. On the basis of audited accounts of the dealer, the turnover escaped assessment during the period July 1965 to June 1969 worked out to Rs.11,25,663 with a tax effect of Rs.63,825.

The matter was reported to Government in September 1976; reply is awaited (May 1977).

#### **25. Allowance of concessional rates of tax in excess of the declarations**

Under the Bengal Finance (Sales Tax) Act, 1941, sales to registered resellers and manufacturers are taxable at concessional rates, provided the dealer claiming such concession produces in support thereof declarations in prescribed forms issued to him by the purchasing dealers. Sales not covered by such declaration are not eligible for concession. The declarations so issued should, therefore, cover the whole amount of the transactions, including the sales tax realised by the dealer which is liable to tax under the Act, in order to make the sum eligible for the concession.

In the assessment of a dealer for the year ending March 1971, made in March 1975, concessional rates of tax at half per cent and one per cent were levied on the sums of Rs.1,00,404 and Rs.4,17,084, respectively, in excess of the amounts covered by the declarations, on the basis of the statements filed by the dealer, on the ground that



the sales tax realised by him was not covered by those declarations. This irregular concession in excess of the amounts covered by the declarations had resulted in under-assessment of tax to the extent of Rs.24,713. On this being pointed out in audit (July 1975), the department agreed to review the case (August 1975). Further development of the case is awaited (May 1977).

The matter was reported to Government in November 1975 ; reply is awaited (May 1977).

## **26. Irregular acceptance of declarations for concessional rates**

Under the Bengal Finance (Sales Tax) Act, 1941, and the rules made thereunder, sales to registered dealers (who are resellers) are taxable at the concessional rates of half per cent, provided such claims are supported by the declarations in the prescribed forms, obtained from the purchasing dealers.

In two assessments of a dealer, for the years ending Aukhoy Tritiya, 1378 B.S. (1970-71) and 1379 B.S. (1971-72), made in 1974-75, it was noticed in audit (July 1975) that the concession was allowed on turnovers of Rs.65,338 comprising five transactions and Rs.5,73,394 comprising eight transactions, respectively, on the basis of the declarations not properly made under the law. The amount of tax involved is Rs.33,636.

On this being pointed out in audit (July 1975), the department agreed (July 1975) to re-examine the case.

The case was reported to Government in September 1975 ; reply is awaited (May 1977).

## **27. Realisation of sales tax at concessional rate without declaration forms**

Forest produce is regularly sold by the Forest Department which is a registered dealer under the Bengal Finance (Sales Tax) Act, 1941. The purchasers of the forest produce, being manufacturers or resellers under the provisions of the Sales Tax Act may avail of the benefit of concessional rate of tax of one per cent and half per cent, respectively, subject to the production of valid declaration forms at the time of delivery of goods or subsequently.

In the course of audit it was noticed in two forest divisions that forest produce in 196 cases was sold during 1974-75 at concessional rate of tax without obtaining prescribed declaration forms from the purchasers. This resulted in short realisation of tax to the tune of Rs.47,253.

The matter was reported to Government in October 1976 ; reply is awaited (May 1977).

## **28. Irregular concession on sale of trailers**

Under the Bengal Finance (Sales Tax) Act, 1941, sale of motor vehicles is taxable at 12 per cent. The term "Motor vehicle" means any mechanically propelled vehicle adapted for use upon roads whether the power of propulsion is transmitted thereto from an external or internal source. Motor vehicle, therefore, includes a trailer.

In an assessment of a dealer for the period ending December 1971, made in November 1974, tax was levied on the turnover of trailers amounting to Rs.2,25,779 at the general rate of 6 per cent instead of at 12 per cent applicable to motor vehicles. This irregular concession resulted in short levy of tax amounting to Rs.12,836.

The case was reported to Government in November 1975; reply is awaited (May 1977).

## **29. Mistake in allowing concessional rates of tax**

Under the Bengal Finance (Sales Tax) Act, 1941, prior to 15th November 1969, no tax was payable for sales to registered dealers, of goods intended for resale in this State, while tax at the concessional rate of two per cent was leviable on sales to registered manufacturers, of goods intended for use by them directly in the manufacture in this State. With effect from the aforesaid date, both categories of sales were taxable at the concessional rates of half per cent and one per cent respectively, the exemption from tax being restricted to sales to registered dealers, of goods referred to in Section 14 of the Central Sales Tax Act, 1956 and to goods included in Schedule II of the State Act as were intended for resale within this State.

In two assessments of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the years ending March 1970 and 1971, made between March 1974 and February 1975, concessional rates of tax at half per cent, one per cent and two per cent were levied on the dealer's sales to registered dealers and manufacturers, amounting to Rs.46,98,116, Rs.41,17,046 and Rs.17,09,937 respectively, on the basis of certain statements filed by the dealer in support of his claim. It was, however, noticed in audit that in these statements the amounts were overstated by Rs.9,00,230, Rs.10,00,000 and Rs.5,79,901, respectively, resulting in under-assessment of tax amounting to Rs.1,10,226. On this being pointed out in audit (August 1975), the department revised the assessments between February and August 1976 and on further examination of the dealer's records disallowed his claims for exemption from tax and for concessional rates of tax at half per cent, one per cent and two per cent on sales amounting to Rs.4,61,868, Rs.6,48,444, Rs.5,93,221 and Rs.7,59,690, respectively. The tax under-assessed on the aforesaid sums worked out to Rs.1,15,780.

In another assessment of the same dealer for the year ending March 1969, the dealer's claim for exemption from tax on account of his sales to registered dealers was admitted on a sum of Rs.36,56,378, while a sum of Rs.70,977 was disallowed owing to defective declaration forms. But, in the statement furnished by the dealer in support of the claim, the sales were found to have been overstated by an amount of Rs.12,40,937 leading to under-assessment of tax of Rs.70,361. On this being pointed out in audit (August 1975), the department revised the assessment (August 1976) and on examination of the dealer's records disallowed a further sum of Rs.1,31,954. The under-assessment of tax on the total amount of Rs.13,72,891 worked out to Rs.77,843.

In two other assessments of the same dealer under the Central Sales Tax Act, 1956, for the years ending March 1970 and 1971, similar allowance of concessional rate of tax, for sales to registered dealers, was granted on the basis of his statements which were overstated by Rs.17,41,490 and Rs.30,39,937, respectively. On this being pointed out in audit (August 1975), the department revised the assessments for the year ending March 1970, in February 1976 and on examination of the dealer's records for that year enhanced his gross turnover by Rs.10,926, accepted his claim for concessional rate of tax on a further sum of Rs.11,86,862 and disallowed Rs.5,54,628. The assessment for the year ending March 1971 was also revised by the department in August 1976 and the amount of Rs.30,39,937, pointed out in audit, was found to have been overstated. The total under-assessment of tax in these two cases worked out to Rs.2,52,711.

Thus, the dealer had been under-assessed to tax in three assessment years to the extent of Rs.4,46,334. Out of this a sum of Rs.21,695 was found to have been paid in excess of the amount due as per the original assessment for the year ending March 1969 and a sum of Rs.75,077 was paid in February 1976 on demand. Particulars of collection of the balance are awaited (May 1977).

The matter was reported to Government in November 1975 ; reply is awaited (May 1977).

### **30. Under-assessment of central sales tax**

Under the Central Sales Tax Act, 1956, inter-State sales to registered dealers and to Government departments were taxable at the concessional rate of 3 per cent if such sales were supported by declarations in the prescribed forms from the purchasing party.

(a) In the assessments of two dealers under the Central Sales Tax Act, 1956, for the year 1970-71, made in June and July 1974, respectively, the dealers' claims for concessional rate of tax were allowed on the basis of statements filed by them. It was, however,

noticed in audit that the totals of the statements were overstated by Rs.1,62,310 and Rs.3,42,117 respectively, leading to under-assessment of tax of Rs.35,310 (at the differential rate of tax of 7 per cent on Rs.5,04,427).

On this being pointed out in audit (July 1975), Government, while accepting the objection, stated (January 1977) that in one case the original assessment was reviewed and an additional demand for Rs.11,362 raised, out of which a sum of Rs.5,481 was realised till January 1977. The second case was still under revision. Further development is awaited (May 1977).

(b) Inter-State sales of Rs.3,11,304 made by another dealer for the period ending Kartik Bodi 2027 (1971), assessed *ex parte* in November 1974 were taxed at the concessional rate of 3 per cent even though the sales were not made either to Government departments or to registered dealers. This resulted in under-assessment of tax to the tune of Rs.19,223.

On this being pointed out in audit (September 1975), the department admitted the mistake and agreed to review the case (November 1975). Further developments are awaited (May 1977).

The case was reported to Government in March 1976 ; reply is awaited (May 1977).

### 31. Unauthorised use of goods by registered dealers

Mention was made in paragraph 29 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75 of cases of non-levy of penalty on use, by registered dealers, of goods purchased at concessional rates of tax for purposes other than resale or for manufacture of goods for which they had been originally stated to be purchased. Three other such cases came to the notice of audit during 1975-76 in which unauthorised uses of goods purchased at concessional rate of tax were not subjected to imposition of penalty. In three assessments in respect of three dealers for various periods between December 1970 and March 1971, made between August 1974 and December 1974, goods worth Rs.1,24,555, Rs.2,95,779 and Rs.82,965, respectively, purchased at concessional rates of tax for being used in the manufacture of goods for sale, were shown in the dealers' accounts as utilised in their own businesses for which a maximum penalty aggregating Rs.57,402 could be levied for diverting the goods purchased at concessional rate of tax to other purpose.

The cases were reported to Government between September and December 1975 ; reply is awaited (May 1977).

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### 32. Mistake in assessment of turnover

(a) In an assessment of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the year ending Kartik Bodi 14, 2027 (1971), made in July 1974, the dealer's gross turnover of sales for Rs.4,02,418 as per his returns was rejected on grounds of concealment of his sales and purchases and estimated at Rs.3,00,000 only, which was lower than the dealer's returned figure. No reasons were recorded therefor, (In the preceding assessment year the dealer's sales turnover of Rs.4,62,092 was rejected on the same ground and assessed at Rs.6,50,000). This resulted in under-assessment of tax on a turnover of at least Rs.1,02,418.

(b) In another assessment of a dealer under the Central Sales Tax Act, 1956, for the period ending December 1972, made in November 1974, the dealer's turnover of Rs.2,37,903 was determined as sales, taxable at 10 per cent. The tax at that rate was computed on a turnover of Rs.87,853 only, leaving the balance of Rs.1,50,050 untaxed without recording any reasons therefor. This resulted in short levy of tax amounting to Rs.9,271. On this being pointed out in audit (October 1975), the department agreed (November 1975) to review the case. Further developments are awaited (May 1977).

The matter was reported to Government between February and March 1976. Reply is awaited (May 1977).

### 33. Under-assessment of taxable turnover

In two assessments in respect of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the years 1971-72 and 1972-73, made in May and November 1974, respectively, the dealer's claim of his gross turnover on account of motor cars, motor parts and machinery parts, shown in his returns for the aforesaid two years as Rs.7,83,203 and Rs.8,51,437, respectively, exclusive of labour charges for Rs.6,28,356 and Rs.5,18,503, was rejected owing to his non-maintenance of any separate accounts for such labour charges which appeared to be very large in comparison to the sale value of the goods. The gross turnover of the two years was estimated by the assessing officer as Rs.8,33,467 and Rs.8,76,436, respectively, and tax was levied accordingly.

In the course of scrutiny of the dealer's statement of accounts submitted with his returns it was noticed in audit that during the years 1971-72 and 1972-73, apart from his sales of motor cars for

Rs.1,66,025 and Rs.90,408, respectively, his gross turnovers, at cost price, of machinery and motor parts alone worked out to Rs.7,58,196 and Rs.8,46,860 respectively, as detailed below :—

	Year ending March 1972	Year ending March 1973
	Rs.	Rs.
Opening stock of motor and machinery parts (at cost).	9,340	39,479
Add—Purchases during the year .. .. .	7,88,335	8,40,919
Total .. .. .	7,97,675	8,80,398
Less—Closing stock of motor and machinery parts (at cost).	39,469	33,538
Sale (at cost) .. .. .	7,58,196	8,46,860

Thus, the total sales during the aforesaid two years would be at least Rs.9,24,221 and Rs.9,37,268, respectively. This resulted in under-assessment of taxable turnover of at least Rs.1,51,584 in the aggregate for the two years in question. The tax effect on this at the rate of 6 per cent would be Rs.8,595.

The matter was reported to Government in March 1976. Reply is awaited (May 1977).

#### 34. Incorrect computation of tax

Mention was made in paragraph 20 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1973-74, of several instances of over|under-assessment due to incorrect computation of tax. A few more such cases noticed in audit are detailed below :

(i) In the assessment of a dealer for the year ending March 1971, made in January 1975, the total tax payable was Rs.2,97,558. The dealer paid Rs.2,07,000 along with his quarterly returns and as such demand notice should have been issued for Rs.90,558. But the department issued demand notice for Rs.50,558 only, resulting in short levy of Rs.40,000. On this being pointed out in audit (August 1975), the department stated (September 1975) that the case had been referred by the dealer to the appellate authority to whom intimation would be sent for necessary action. Further developments are awaited (May 1977).

(ii) In another assessment in respect of a dealer, under the Central Sales Tax Act, 1956, for the year ending March 1971, made in March 1975, tax at 10 per cent on a turnover of Rs.3,19,091 was computed

as Rs.3,191 instead of Rs.31,909, resulting in short levy of tax of Rs.28,718. On this being pointed out in audit (May 1975), the department agreed (May 1975) to take necessary action. Further developments are awaited (May 1977).

(iii) In an assessment of a dealer for the year ending December 1970, made in April 1974, while the additional tax due, as assessed, was found to be Rs.14,246, the demand was raised for Rs.4,246 only, leading to short levy of tax of Rs.10,000. On this being pointed out in audit (May 1975), the department realised it (May 1975).

(iv) In another assessment for the year ending Asar Sudi 2026 (1968-69), made in May 1973, the tax paid by the dealer along with his quarterly return before assessment was erroneously computed as Rs.21,397 instead of Rs.31,397. This resulted in an over-charge of tax of Rs.10,000.

All the cases were reported to Government between September and December 1975. Reply is awaited (May 1977).

### **35. Incorrect deduction from turnover**

Mention was made in paragraph 23 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75 of several instances of incorrect deduction of the commission and trade discount paid by the dealer from his gross turnover. In another such case it was noticed (August 1975) that a sum of Rs.4,61,522 representing trade discount on sales by the dealer was erroneously deducted in the assessment for the year ending July 1970, from the gross turnover of Rs.14,93,501 taxable at the rate of 12 per cent. This resulted in short levy of tax of Rs.49,429. On this being pointed out in audit (August 1975), the department stated (September 1975) that the case was under appeal and the matter would be brought to the notice of appellate authority at the time of hearing. Further developments are awaited (May 1977).

The matter was reported to Government in February 1976 ; reply is awaited (May 1977).

## **CERTIFICATE CASES UNDER SALES TAX ACTS**

### **36. Introductory**

Both under the Bengal Finance (Sales Tax) Act, 1941 and the West Bengal Sales Tax Act, 1954, every dealer is required to pay tax and enclose the receipted treasury challans along with the returns. The assessed tax as well as penalty is to be paid into the treasury by such date as may be specified in the demand notice. By virtue of an amendment made in 1973 to the Bengal Finance (Sales Tax)

Act, 1941, sales tax authorities are empowered to realise tax/penalty at any time "from any person from whom money is due or may become due to the dealer or any person who holds or may subsequently hold money for or on account of the dealer". The sales tax dues can be recovered by certificate proceedings under the Public Demands Recovery Act, 1913, as arrears of land revenue.

The system of realisation by certificate proceedings envisages service of a demand notice on the certificate debtor. In the case of non-payment within the notice period, the Certificate Officer executes the certificate by adopting one or all of the following methods :

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

### 37. Certificate Organisation

In March 1973, a separate Certificate Organisation consisting of four certificate courts under four Commercial Tax Officers designated as Certificate Officers, under the Directorate of Commercial Taxes, was created to deal with certificate cases relating to sales tax dues to be filed from 1st April 1973 in the districts of Calcutta and 24 Parganas and old cases of Rs.25,000 and above to be transferred from the Alipore Certificate Office.

### 38. Trend of realisation and disposal of certificate cases

The annual target of collection by the four certificate courts was Rs.67 lakhs in 2,000 cases (i.e., 500 cases per Certificate Officer per annum with an average demand of Rs.3,333 per case). The total number of cases disposed of by the Organisation till March 1976 was only 405 while the total collection made was Rs.173.88 lakhs as per details given below :—

Year			Number of cases finally settled	Amount collected (In lakhs of rupees)
1973-74	..	..	70	35.28
1974-75	..	..	162	59.51
1975-76	..	..	173	79.09
	Total	..	405	173.88



The position of pending cases at the end of March 1976 was as follows :—

	Number of cases	Amount involved  (In lakhs of rupees)
(a) Cases received on transfer from Alipore Office since inception to 31st March 1976.	1,595	1,900·00
(b) Cases received direct from Commercial Tax Officers since inception to 31st March, 1976.	14,649	2,654·00
Total ..	<u>16,244</u>	<u>4,554·00</u>
 (c) Cases finally disposed of since inception to 31st March 1976 and part realisation in respect of the other cases.	405	173·88
(d) Total number of pending cases on 31st March 1976.	15,839	4,380·12

It will be seen from the table above that at the present rate of disposal a considerably long time will be required to overtake the pending certificate cases alone.

39. A test check of the case records indicated that the working of the Certificate Organisation was constrained by information deficiencies and administrative delays, as indicated below :

(a) *Information deficiencies* —The Certificate Organisation receives cases from 17 Commercial Tax Officers. Each Commercial Tax Officer is required under the West Bengal Certificate Manual, 1953 and the Bengal Public Demands Recovery Act, 1913 to furnish information on the following points to the Certificate Officer for each individual certificate case :

- (a) the name of the certificate debtor ;
- (b) the amount of public demand (including interest as well as fee, if any) ;
- (c) the period for which the public demand is due ; and
- (d) further particulars of the public demand for which the certificate is signed.

In forty cases scrutinised in audit it was noticed that the address of the concerned firm and the whereabouts of the dealers were not given. The Certificate Organisation had issued letters to elicit the required information. In some cases reference had to be made to know whether the provisions of the Sales Tax Acts were attracted at all.

Owing to delay in inflow of information the certificate debtor got an opportunity to remove or dispose of his property. The test check disclosed that even on reference from the Certificate Officers, the required information was furnished by the Commercial Tax Officers after considerable delays in many cases.

Two tables are given below to indicate the extent of delay in receipt of the reply in a few cases.

(1) Illustrative instances where reply is awaited—

Certificate Case number	Amount covered by the Certificate	Date of last reference to C.T.O.s	Remarks
	Rs.		
1STR/50-51 .. ..	47,513	26-9-1960	Reply awaited till the date of audit in February 1976.
63ST(RK)/60-61 ..	75,500	8-9-1960	
139ST(RK)/62-63 ..	68,680	4-7-1963	..
2ST(MK)/66-67 ..	25,000	25-5-1967	..
13ST(BH)/55-56 ..	94,873	15-11-1969	..
1ST(EL)/73-74 ..	5,000	13-2-1974	..
44ST(SL)/73-74 ..	4,777	19-2-1974	..
14ST(CR)/73-74 ..	2,268	20-8-1973	..
43ST(SH)/73-74 ..	2,768	20-8-1973	..
11ST(CR)/73-74 ..	86	20-8-1973	..
10ST(CR)/73-74 ..	492	26-2-1974	..

(2) Illustrative instances where reply was received after considerable delay—

Certificate Case number	Amount covered by the Certificate	Date of last reference to C.T.O.s	Date of receipt of reply (after reminder)
	Rs.		
47ST(AL)/58-59 .. ..	10,997	19-9-1959	25-11-1963
119ST(LR)/56-57 .. ..	54,101	14-10-1966	8-12-1971
47, 48, 49 and 50ST(BH) of 54-55	1,54,735	31-7-1958	22-5-1965
25ST(LR)/73-74 .. ..	323	4-9-1973	25-12-1974
8ST(EL)/73-74 .. ..	4,694	30-10-1973	4-10-1974

There are also instances where the Certificate Organisation, not being aware of the latest development in a particular case, could not proceed further with it. The work in such cases was held up on account of recovery of tax stayed by some quasi-judicial authority, an injunction of the High Court being in force or the assessment itself having been set aside. Instances of all these categories of cases are given below :—

Certificate Case number	Amount covered by the Certificate	Stay Order		Remarks
		Authority issuing the orders		
	Rs.			
1. 12STB/57-58 ..	51,165	Board of Revenue		The case was communicated by C.T.O. in his memo No. 2193, dated 9-5-58. In spite of repeated reminders the fact of the stay order was not intimated by C. T. O. except for stating from time to time that the case records were still lying with the Board of Revenue.
2. 62ST(C)/59-60 ..	5,03,770	Additior al Commis- sioner of Commer- cial Taxes.		The case was communi- cated by C.T.O. in his memo No. 11087, dated 25-7-1967. Further de- velopment not reported.
3. 139ST(RK)/62-63	26,237	Board of Revenue		The stay was ordered on 23-4-1966. But fur- ther development not reported.
4. 121ST(BH)/51-52 122ST(BH)/51-52	3,55,886 1,06,434	High Court, Calcutta		The certificate debtor appealed to the Com- missioner of Commercial Taxes and moved the High Court. The High Court did not arrive at any decision and the case was kept pending up to 21-9-1970. Fur- ther development not reported.

Certificate Case number	Amount covered by the Certificate	Authority issuing the orders	Remarks
5. 54ST(MK)/65-66 (SR).	1,19,062	Sales Tax Tribunal	Order was passed on 5-12-74. No further report was received.
6. 31ST(AL)/66-67	41,758	Additional Commissioner of Commercial Taxes.	Copy of the order dated 28-10-1971 was produced by the certificate debtor, but no report was received from C.T.O. in spite of reminders.
7. 17ST(LR)/73-74	2,079	Asstt. Commissioner of Commercial Taxes.	Copy of the order dated 11-11-1974 was produced by the certificate debtor but no report was received from C.T.O. in spite of reminders.

### Injunction

1. 68ST(JK)/65-66 (SR).	25,254	High Court, Calcutta	The injunction order dated 22-1-1971 was passed in Civil Rule No. 55(W)71. But no further intimation was received from C.T.O.
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### Set aside

1. 80ST(SL)/65-66	47,523	Commissioner of Commercial Taxes.	Assessment was set aside on 3-1-1972. No further report was received.
2. 31ST(LR)/73-74	7,213	Asstt. Commissioner of Commercial Taxes.	Set aside on 29-10-1973. Copy was furnished by the certificate debtor but no report was received from C.T.O. in spite of reminders.

(b) *Administrative delays*—The delay in disposal of some cases occurs within the Organisation itself. A test check indicated that such cases fell into three categories.

(I) **Delay in putting up cases as ordered**—The Certificate Court indicates the date on which the cases should be put up for orders but the office of the Organisation fails to put up the cases as ordered. Some of the instances are given below :—

Certificate Case number	Amount covered by the Certificate Rs.	Date of orders of the Court	Substance of the orders of the Court	Date of test audit (up to which orders of the Court not complied with)
23ST(MK)/65-66(SR)	30,753	26-12-1972	To put up the case on 12-3-1973.	17-1-1975
9ST(LR)/65-66(SR)	33,218	9-12-1972	To put up the case on 15-3-1973.	17-1-1975
1ST(LR)/73-74(SR)	48,795	20-8-1974	To put up the case on 20-9-1974.	17-1-1975
17ST(MR)/73-74 ..	125	31-7-1974	To put up the case on 21-9-1974.	8-1-1975
18ST(MR)/73-74 ..	695	14-8-1974	To put up the case on 13-9-1974.	8-1-1975

(II) **Delay in issue of notices**—(a) Under section 7 of the Public Demands Recovery Act, 1913, when a certificate has been filed in the office of the Certificate Office a demand notice shall be served on the certificate debtor in the prescribed manner. This notice also prohibits the certificate debtor from alienating his immovable property or any part of it by sale, gift, mortgage or otherwise.

The process of recovery by the Certificate Organisation is set into motion by the service of the initial notice. The Certificate Organisation has not taken any action in this regard in a number of cases for a considerable time. A few illustrative cases are cited in Appendix III.

(b) Orders passed by the Certificate Courts are to be carried out by the staff provided for the purpose. Test check revealed many instances of non-compliance with orders of the Court for a considerable time. A few illustrative cases are cited in Appendix IV.

#### 40. Some features of arrears recovery work

Test check conducted in audit of the certificate cases in the Certificate Organisation (January 1976) revealed the following :

(a) *Cases involving large amounts* : The Certificate Organisation had planned its collections on the basis of 500 cases of Rs.3,333 (average) each per Certificate Officer for all the four officers. Higher priorities in the processing and collection of larger demands did not seem to have been accorded in the plan of tax recovery of the Organisation.

In twenty cases given in the following table the tax assessed and due (over Rs.10 lakhs each) had not been realised in spite of certificate cases having been filed (six in 1974-75 ; four in 1973-74 ; three in 1972-73 ; one in 1971-72 ; one in 1969-70 ; four in 1967-68 and one in 1954-55) :

Certificate Case number/ R. C. number	Amount  (Rupees in lakhs)	Remarks
40 ST(SL)/67-68 1046A(SL) C	20.15	All these five certificate cases are against one firm only Two certificate cases filed in 1967-68 could not lead to the recovery of State's dues. Three more certificate cases filed in 1972-73 proved equally ineffective.
98 ST(SL)/67-68 1046A(SL) C	16.83	
49 ST(SL)/72-73 1046A(SL) C	20.55	
52 ST(SL)/72-73 1046A(SL) C	27.57	
53 ST(SL)/72-73 1046A(SL) C	22.33	
		The firm is under liquidation from January 1971.

Certificate Case number/ R. C. number	Amount (Rupees in lakhs)	Remarks
<u>2 ST(EL)/74-75</u> .. .. 16.91 EL/314A	}	These five cases relate to jute mills. No recovery of amount had been made till date of last audit (31st January 1976).
<u>24 ST(EL)/74-75</u> .. .. 57.12 EL/212A		
<u>208 ST(LR)/74-75</u> .. .. 27.68 2509A(LR) C		
<u>209 ST(LR)/74-75</u> .. .. 38.21 LR/4641A		
<u>11 ST(EL)/74-75</u> .. .. 21.00 EL/316A		
<u>49 ST(BH)/54-55</u> .. .. 28.88 BH/201B	}	These cases relate to different assesses. Amounts outstanding against them had not been realised (May 1977) because of injunctions by the High Court, stay of recovery of tax or because the Companies had gone into liquidation or the assesses concerned were not traceable.
<u>129 ST(SL)/69-70</u> ... .. 16.15 160A(SL) C		
<u>172 ST(LR)/71-72</u> .. .. 31.03 LR/936A		
<u>151 ST(CL)/67-68</u> .. .. 26.27 955A(CL) C		
<u>170 ST(RB)/67-68</u> .. .. 18.04 RB/60A-C		
<u>38 ST(AL)/73-74</u> .. .. 40.34		
<u>162 ST(LR)/73-74</u> .. .. 51.54 2474(LR) C		
<u>350 ST(RB)/73-74</u> .. .. 14.50 91A(RB) C		
<u>186 ST(RJ)/73-74</u> .. .. 15.96 RJ/2460A		
<u>58 ST(SL)/74-75</u> .. .. 12.99 SL/4853A		

(b) *Cases involving petty amounts*—The Sales Tax Officers in West Bengal are not empowered to write off the amount of outstanding arrears, however small the amount. Some instances of petty amount referred to the Certificate Officers are given below :—

Serial Number	Certificate Case number	Registration number and period of assessment	Amount
(i) <i>Less than Rs. 10</i>			
			Rs.
1	737 ST(PG) 74-75 ..	.. PG/3333 A .. up to 23-9-73	8.32
2	309 ST(CR) 74-75 ..	.. CR/1771 A .. 31-3-70	4.98
3	227 ST(CS) 74-75 ..	.. 248/EP/73-74	7.00
4	348 ST(SH) 74-75 ..	.. 1724A(SH) C .. up to 21-7-69	3.64
5	323 ST(LR) 73-74 ..	.. 1348 A(LR) C Asad 2026	8.50
(ii) <i>Less than Rs. 60</i>			
1	135 ST(RB) 74-75 ..	.. RB/1945 A .. Chait 1376 BS	14.16
2	268 ST(MK) 74-75 ..	.. 789 A(MK) C 30-6-70	46.62
3	241 ST(JK) 74-75 ..	.. JK/3529 A .. Chait 1374 BS	51.18
4	231 ST(SL) 74-75 ..	.. 290 A(SL) C .. 30-4-69	22.61
5	431 ST(EL) 74-75 ..	.. 95 B(EL) C .. 31-3-60	58.36
6	70 ST(MR) 74-75 ..	.. 1072 A(MR) C Chait 1377 BS	12.84
7	21 ST(RJ) 74-75 ..	.. 1112 A(RJ) C up to 20-12-71	42.84
8	159 ST(AT) 74-75 ..	.. 1722 A(AT) C 30th AB 2026	20.88
9	405 ST(LR) 73-74 ..	.. LR/4425 A .. up to 31-12-71	10.00
10	435 ST(TL) 74-75 ..	.. 757 A(TL) C .. 31-12-70	50.77



(c) *Old cases*—Some of the old cases pending before the Organisation were seen in audit (January 1976). Some illustrative cases which were transferred from Alipore Certificate Court and were still pending are mentioned below.

Case Number	Year in which started	Amount Rs.
156 ST(C) 47-48 .. ..	1947-48 .. ..	75,693
109 ST(BH) 50-51 .. ..	1950-51 .. ..	14,218
110 ST(A) 50-51 .. ..	1950-51 .. ..	27,082
10 ST(BD) 53-54 .. ..	1953-54 .. ..	1,08,721
3 ST(C) 53-54 .. ..	1953-54 .. ..	87,571
265 ST(A) 54-55 .. ..	1954-55 .. ..	28,991
11 ST(LR) 54-55 .. ..	1954-55 .. ..	57,546
175 ST(S) 54-55 .. ..	1954-55 .. ..	1,23,440
157 ST(B) 56-57 .. ..	1956-57 .. ..	1,99,775
1 ST(I) 57-58 .. ..	1957-58 .. ..	33,893
402 ST(TR) 58-59 .. ..	} 1958-59 .. ..	43,745
405 ST(TR) 58-59 .. ..		
406 ST(TR) 58-59 .. ..		

#### 41. Delay in assessment of tax, filing and disposal of certificate cases

In the course of audit (January 1976), instances were noticed of delays in assessment and collection of assessed taxes, delay in initiation of certificate procedure and delay in finalisation of certificate cases. Some illustrative cases showing such delays are given in Appendix V.

#### 42. Unrealisable arrears

In three types of cases the amounts of outstanding arrears covered by certificate cases have become unrealisable. The amounts involved in these cases are given below :—

- (a) Dealers dead or not traceable—Rs.5.27 crores.
- (b) Companies under liquidation—Rs.3.84 crores.
- (c) Vested Collieries—Rs.0.87 crores.

(a) *Dealers dead or not traceable* : It was noticed that the Certificate Organisation had satisfied itself that in more than two thousand cases the amount of outstanding sales tax of Rs.5.27 crores could not be realised from dealers who are either dead or untraceable.

(b) *Companies under liquidation* : Twenty companies had gone under liquidation and the amount of sales tax arrears shown against them had become unrealisable. The position of 84 certificate cases in respect of these companies is indicated in Appendix VI.

Some features of these cases are cited below :

- (i) These twenty companies owed to Government more than three crores of rupees ;
- (ii) The outstanding arrears against none of the companies was less than fifty thousand rupees ; fifteen companies owed amounts running into lakhs of rupees ; one company owed more than a crore of rupees ;
- (iii) Certificate cases were filed year after year against some of these companies and yet no amount had been realised.

(c) *Vested Collieries* : Eighty-one outstanding certificate cases in respect of sales tax dues from 17 collieries involved an amount of Rs.86.51 lakhs. In Appendix VII a summary of these cases has been given indicating the number of cases against each colliery, the time spent in pursuing these cases up to 1975 and the amount involved.

After the Coal Mines were nationalised under the Coal Mines Nationalisation Act, 1973, the right, title and interest of the owners in relation to coal mines stood transferred and vested absolutely in the Central Government, free from all encumbrances, with effect from 1st May 1973. The information whether any claim on account of sales tax dues had been preferred before the Commissioner of Payments is awaited (May 1977). But in view of the low priority given in the Act in respect of dues of State Government, the chances of realisation are uncertain. Even though, under the provisions of the Act, arrears could be enforced as the personal liability of the owners, no action had been taken by the department against the erstwhile owners (May 1977).

The points mentioned in the foregoing paragraphs were reported to Government between May 1975 and July 1976 ; reply is awaited (May 1977).

### CHAPTER III

## AGRICULTURAL INCOME TAX

#### 43. **Incorrect computation of income**

A company, having income from tea business, created a gratuity fund for the first time in the accounting year 1967-68, by appropriating Rs.34,012 from the Profit and Loss Account which was allowed by the assessing officers under the Income Tax Act, 1961, and the Bengal Agricultural Income Tax Act, 1944. But in the assessment of the subsequent year, a sum of Rs.49,000, debited to the Profit and Loss Account for similar provision, was disallowed by the assessing officer on the ground that the gratuity fund was not recognised by the department under the provisions of law. The irregular allowance of Rs.34,012 in the assessment of income tax for the assessment year 1968-69 had resulted in under-assessment of agricultural income by Rs.20,407 (60 per cent of Rs.34,012). The consequent under-charge of tax was Rs.10,203. This was pointed out in audit in January 1976. Reply is awaited (May 1977).

The matter was reported to Government in March 1976 ; reply is awaited (May 1977).

#### 44. **Arithmetical mistake in computation of income**

In computing the taxable income of a tea company under the Income Tax Act, 1961, for the assessment year 1968-69, the assessing officer disallowed certain expenditure claimed by the assessee as deduction from his income, but the aggregate of the disallowance was erroneously computed at Rs.1,42,553 instead of Rs.1,78,553. As the agricultural income of the assessee for the year 1968-69, under the Bengal Agricultural Income Tax Act, 1944, was computed on the basis of the income computed under the Income Tax Act, 1961, there was under-assessment of income of Rs.21,600 (60 per cent of Rs.36,000) leading to short levy of tax of Rs.10,800.

The matter was reported to Government in March 1976 ; reply is awaited (May 1977).

#### 45. **Under-assessment of tax due to incorrect computation of agricultural income**

(i) Mention was made in paragraph 32 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75 of several cases of under-assessment of agricultural income in which special rebate admissible under section 80(I) of the Income Tax Act, 1961, was taken into consideration in arriving at the agricultural income of the assessee though this rebate is not admissible under the Bengal Agricultural Income Tax Act, 1944.

During 1975-76, it was noticed in audit that in six such cases relating to various periods between 1968 and 1973, assessed during August 1974 to March 1975, there was under-assessment of agricultural income to the extent of Rs.59,564 owing to irregular allowance of this rebate. This had resulted in under-charge of tax of Rs.29,782.

(ii) The agricultural income of a firm, having income from tea, was assessed for the assessment year 1966-67 at Rs.76,500, representing 60 per cent of its business income from tea assessed under the Income Tax Act, 1961. The assessee firm having been dissolved on 9th September, 1965, its proportionate agricultural income for the period 1st January, 1965 to 9th September, 1965, in respect of its accounting year ending on 31st December, 1965, was to be assessed to tax. But, on the basis of the income tax assessment, the agricultural income for the period 1st April, 1965 to 9th September, 1965 was assessed *ex parte* in January 1973 at Rs.33,954. Thus, proportionate agricultural income of Rs.18,862, for the period 1st January, 1965 to 31st March, 1965, escaped assessment resulting in under-charge of tax of Rs.7,544.

The cases were reported to Government in March 1976 ; reply is awaited (May 1977).

#### 46. **Incorrect deduction**

In the assessment of agricultural income tax of two tea manufacturers, it was noticed that a sum of Rs.50,000 (Rs.30,000 plus Rs.20,000) was deducted from the taxable income towards payment of insurance premia against loss or damage of crops.

The payment of insurance premium is an admissible deduction both in the Income Tax Act, 1961 and in the Bengal Agricultural Income Tax Act, 1944. But under the latter Act, expenditure incurred for insurance against damage to crops is allowable only when the entire income is derived from agriculture. In the case of assesseees who have mixed income, as in the case of tea, this type of payment of insurance premia is not an allowable deduction. As the compensation received from insurance company was taken as an income at the time of calculation of income under the Income Tax Act, 1961, deduction for payment of insurance premium was also allowed in the assessment under the Central Act. Under the provisions of the State Act, in computing the amount of any relief or allowance from assessment, no part of such allowance or relief should be included which constitutes a ground for relief from income tax under the provisions of the Indian Income Tax Act.

The grant of inadmissible relief resulted in under-assessment of tax to the tune of Rs.22,000.

The matter was reported to Government in March 1975 ; reply is awaited (May 1977).

**CHAPTER IV**  
**LAND REVENUE**

**47. Results of test audit**

Test audit conducted during 1975-76 of the receipts relating to land revenue revealed under-assessments and loss of revenue amounting to Rs.151.64 lakhs. The details of the cases are as under :

Nature of irregularity	Amount involved (In lakhs of rupees)
1. Non-realisation of rent .. .. .	56.47
2. Loss of revenue due to defective recording .. .. .	4.49
3. Non-recovery/short recovery of cesses .. .. .	10.37
4. Loss of revenue due to non-settlement/delay in settlement	19.30
5. Outstanding damage fee .. .. .	1.77
6. Loss of royalty due to under-valuation and non-leasing of property.	23.30
7. Loss of royalty due to non-renewal or delay in renewal of leases.	35.72
8. Loss due to irregular relief .. .. .	0.22
<b>Total</b> ..	<b>151.64</b>

Some important cases are mentioned in the following paragraphs :

**48. Non-recovery of rent from lands formerly held as rent-free**

In paragraph 41 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75 mention was made of non-recovery of rent of about Rs.13.72 lakhs in 14 out of 17 circles in the district of Hooghly, in respect of lands formerly held as rent-free.

In the course of audit (November 1973 to December 1974) it was noticed that land revenue had also not been realised in respect of 11,846.13 acres in 15 out of 26 circles in Murshidabad district and 1,712.74 acres in one circle out of 53 circles of Midnapore district. This resulted in non-recovery of revenue to the extent of Rs.25.83 lakhs for the period April 1955 to March 1974.

The matter was reported to Government in November 1975 ; reply is awaited (May 1977).

#### 49. Non-recovery of increased rent

Mention was made in paragraph 48 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75, of non-realisation of rent from 1st Baisakh, 1379 B.S. (13th April, 1972) on holdings exceeding 1.214 hectares in an irrigated area at thrice the rate prevailing at the end of 1378 B.S. It was noticed in audit (November 1973 to January 1974) that rent at increased rate was not realised from the raiyats holding 1.214 hectares or more of land in the irrigated areas of the following districts for the periods noted against each resulting in non-recovery of revenue to the extent of Rs.30,39,431 :

Name of the district	Total number of circles	Number of circles where increased rent not realised	Period for which increased rent not applied	Amount of non-recovery
				Rs.
Midnapore ..	53	2	1380 B.S.	2,07,379
Nadia ..	16	8	1381 B.S.	3,88,480
Bankura ..	22	5	1381 B.S.	4,51,376
Murshidabad ..	26	26	1379 B.S.	14,64,946
Burdwan ..	33	1	1381 B.S.	5,27,250
			Total ..	30,39,431

All the cases were reported to Government between November 1975 and September 1976 ; reply is awaited (May 1977).

#### 50. Non-realisation of rent due to delay in taking action

As per terms of lease agreement executed between the lessee and Government, the lessee is required to pay rent daily in respect of plots of land in a 'Khas' market. In case of default in payment of rent for seven days successively, the lessee is liable to eviction and Government will be entitled to take possession of the plot along with temporary structures erected thereon.

It was noticed in audit that 84 temporary plot holders of a market in Midnapore district were in default in payment of rent between January 1968 and July 1973 but no action was taken to evict the lessees. In 1973-74 Government instituted certificate proceedings

against defaulting parties for realisation of arrear rent. In 1973 one of the lessees instituted a suit before the High Court which granted a rule in favour of the party to the effect that the demand of arrear rent was not covered by the agreement as there was no provision therein for realisation of arrear rent. Thus, owing to delay in taking action for eviction of the defaulters and also owing to the absence of any clause for realisation of arrear rent in the agreement, no realisation could be effected from the lessees (May 1977). The amount involved is Rs.18,868.

The matter was reported to Government in November 1975 ; reply is awaited (May 1977).

### **51. Defective recording of vested lands/interests**

Under the West Bengal Estate Acquisition Act, 1953, all estates and rights of intermediaries, vested in the State from 1362 B.S. (15th April, 1955). In many cases, however, possession could not be taken and settlements could not be effected of such interests owing to irregular recording in the record of rights by the Settlement Department. Two cases involving heavy loss of revenue are cited below :

(1) One tank measuring 1.93 acres was included in the list of vested land (Khatian No. 159) in Karaya mouza (district Murshidabad) and the nature of the land was recorded as 'Jalkar' (i.e. fishery). The tank could not be leased out as the words 'Have fishing rights' were noted in the relevant record or rights. Under the West Bengal Non-Agricultural Tenancy Act, 1949, a tenant is entitled to such right only under terms of an agreement between the tenant and the landlord. In the absence of an agreement the tenant did not enjoy the right of fishing. Hence the possessor of the tank was irregularly enjoying the right of fishing on the basis of notings of the Settlement Department. As per records of local office there were offers for taking settlement of the tank at a sum of Rs.5,000 per year. Hence revenue of Rs.1,05,000 could have been earned by leasing out the tank during the period April 1955 to March 1976.

(2) A total area of 16.09 acres of land in Sahapur Mouza (district Murshidabad) was leased out by the ex-owners of the land, to the Murshidabad District Board, in 1942, for 25 years, at an annual rent of Rs.700. The Board enjoyed the property till 1966 through sub-letting. Though the lands were shown to have vested in the State, names of the tenants were mentioned as "Possessor" in the record of rights. The property was being enjoyed by the tenants on the strength of the record of rights since the expiry of the lease i.e. 1967. As the lands vested in the State, the annual rental of Rs.700 was realisable from the District Board from 1955 (year of vesting)

to 1967 and from the possessor, from the year 1968 to 1976. Thus, Government could not take possession of the property owing to defective record of rights and did not realise the rent of Rs.15,400 from 1955 to 1976.

The matter was reported to Government in January 1976 ; reply is awaited (May 1977).

## **52. Non-realisation of Public Works Cess, Road Cess and Education Cess**

In paragraph 38 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75, mention was made of non-realisation of cesses (in Hooghly district) amounting to Rs.17.27 lakhs leviable under the Cess Act, in respect of holdings not exceeding 1.214 hectares (3 acres) which were incorrectly treated as exempt from payment of the public works cess, road cess and education cess.

In the course of audit (November 1973 to January 1974) it was noticed that cesses had also not been realised in respect of such holdings for the years 1376 B.S. to 1379 B.S. (1969-70 to 1972-73) in 21 circles, out of 26 circles of the Murshidabad district, resulting in non-recovery of Rs.8.70 lakhs on this account.

The matter was reported to Government in January 1976 ; reply is awaited (May 1977).

## **53. Non-recovery and short recovery of cesses**

(i) By a notification issued in August 1959, Government of West Bengal extended the Bengal (Rural) Primary Education Act, 1930, to the district of Cooch Behar in the matter of levy and realisation of primary education cess. In the course of audit (March 1975) it was noticed that education cess was not levied in the district of Cooch Behar up to 1973-74. This resulted in loss of revenue amounting to Rs.5.16 lakhs at the rate of 6 paise per rupee of rent for the period 1376 B.S. to 1380 B.S. (1969-70 to 1973-74).

The matter was reported to Government in September 1975 ; reply is awaited (May 1977).

(ii) Mention was made in paragraphs 30 and 39(ii) of the Report of the Comptroller and Auditor General of India on Revenue Receipts, for 1973-74 and 1974-75 respectively, of cases of short realisation of public works and road cesses owing to non-application of the increased rates which came into force with effect from 1375 B.S. (1968-69). In the course of audit (November 1973 to January 1974) it was



noticed that in the district of Murshidabad there was short realisation of cesses to the extent of Rs.1.67 lakhs owing to non-application of revised rates of the cesses in all the circles of the district during the period 1375 B.S. to 1379 B.S. (1968-69 to 1972-73).

The matter was reported to Government in January 1976 ; reply is awaited (May 1977).

#### **54. Loss of revenue due to delay in settlement of fisheries**

Mention was made, in paragraph 50 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75 of loss of revenue due to considerable delays in the settlement of fisheries which vested with Government in 1362 B.S. (1955) under the West Bengal Estate Acquisition Act, 1953. In Bankura district, 56 fisheries in 10 circles were not settled for periods ranging from two to thirteen years, resulting in loss of revenue of Rs.13,563 determined on the basis of rent at which the fisheries were last leased out.

The matter was reported to Government in July 1976 ; reply is awaited (May 1977).

#### **55. Loss of revenue due to delay in settlement**

In the course of audit of Haldibari circle in the district of Cooch Behar, it was noticed that nineteen acres of non-agricultural town land were under unauthorised occupation since 1964 and being used for residential purposes. No attempt had been made either to evict the unauthorised occupants or to settle the area on long-term basis with the occupants.

Under the provisions of the Government Estates Manual, 1953, rent shall be fixed at the rate of 4 per cent of the market value of the land and salami charged at 10 times the rent. in giving a long-term lease for the first time.

Owing to the absence of any action for settlement of the land on long-term basis, there was loss of revenue amounting to Rs.1,36,800 in the shape of salami and rent up to the year 1974, computed on the basis of market value at Rs.9,000 per acre as furnished by the department.

The matter was reported to Government in September 1975 ; reply is awaited (May 1977).

### 56. **Loss of revenue due to non-settlement of Char lands**

Mention was made in paragraph 43 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75 of loss of revenue due to non-settlement of Char lands in two districts. In the course of audit of the accounts of Howrah district (November 1975), it was noticed that in 2 out of 14 circles, 669.74 acres of land had not been settled for eleven years up to 1382 B.S. (1975-76) and out of this, land measuring 619.89 acres had been under unauthorised occupation since 1373 B.S. (1964-65). This resulted in loss of revenue to the extent of Rs.67,970 at the rate of Rs.10 per acre per annum up to 1974.

The matter was reported to Government in March 1976 ; reply is awaited (May 1977).

### 57. **Outstanding damage fees**

Mention was made in paragraph 22 and paragraph 45 of the Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1972-73 and 1974-75, respectively, of non-realisation of damage fees, leviable under the law, in nine districts of the State. It was noticed in audit (November 1973 to March 1975) that in five more districts damage fees amounting to Rs.217.42 lakhs were not realised in respect of 1,76,842 acres of land.

The matter was reported to Government between September 1975 and May 1976 ; reply is awaited (May 1977).

### 58. **Excess realisation of Public Works Cess due to application of incorrect rates**

Public Works Cess, levied under the Bengal Cess Act, 1880, is collected along with land revenue. The rate of this cess was increased from 6 paise per rupee to 25 paise per rupee of rent with effect from 1381 B.S. (1974-75). In the course of audit (November 1974 to December 1974) it was noticed that in three circles out of fifty-three circles of Midnapore district, public works cess had been realised at the rate of 25 paise per rupee of rent for the years 1379 B.S. and 1380 B.S. (1972-73 and 1973-74). This resulted in excess realisation of cess to the extent of Rs.31,269. On this being pointed out in audit (November 1974), the department admitted the mistake and stated (December 1974) that the excess realisation would be adjusted against future demands.

The matter was reported to Government in November 1975 ; reply is awaited (May 1977).

## MANAGEMENT OF KHAS MAHAL PROPERTIES

### 59. Introductory

“Khas mahal”, a term used for Government Estates in West Bengal, has been described as “.....an Estate which is managed by a Collector in direct communication with the ryots”.

Apart from waste lands, Government have come in possession of Khas mahal estates by the following processes :

- (1) When estates or parts of estates were sold for arrears of revenue and Government brought them either because no bidders appeared or because satisfactory terms were not offered.
- (2) “Thanadari lands” or lands formerly allotted to zamidars for keeping up “thanas”. When the zamindars were exonerated from this duty the lands were resumed by Government.
- (3) Islands and *chars* formed in rivers or the seashore.
- (4) Lands escheated in default of legal heirs or claimants.
- (5) Lands forfeited for any offence against the State.
- (6) Lands which were acquired by conquest, for example, the Dwars of Jalpaiguri and Darjeeling districts.

The term “Khas mahal” is not used for lands belonging to departments of Government other than the Land and Land Revenue Department though they are also the property of Government.

### 60. Extent and Management of Khas mahal properties

Considerable Khas mahal properties, classified as town Khas mahal and non-town Khas mahal properties, exist in many districts of West Bengal. Particulars of annual demands in five districts as indicated in the West Bengal Government Estates Manual, 1953, are given below :

District		Amount of demand (Rupees)
24-Parganas	.. ..	5,70,328
Nadia	.. ..	62,161
Hooghly	.. ..	91,479
Jalpaiguri	.. ..	17,82,619
Midnapore	.. ..	15,84,180
	Total	<u>40,90,767</u>

These demands are based on 1932 land valuation. The Board of Revenue, when contacted, had not been able to give figures of revised demands for the year 1975 (May 1977).

The Manual prescribes maintenance in Form 32 of a register containing particulars of all Government estates, tenures and lands in charge of a Collector of a district. In the course of audit it was noticed that except in Howrah district, no comprehensive list of Khas mahal properties in Form 32 was maintained and no comprehensive records existed of the properties, the annual demands and the annual revenue fetched therefrom either in the Collector's offices or with the Board of Revenue.

61. The management of such properties in Howrah and 24-Parganas districts has been reviewed in audit on the basis of the information available and the results are indicated in the succeeding paragraphs.

## 62. Howrah District

The management of Khas mahal properties in the district was done as follows :—

(a) Town Khas mahal lands (296 acres) and certain areas of non-town Khas mahal properties (portion of land on both sides of Orissa Trunk Road—225 acres) were under the direct supervision of the Additional District Magistrate (Land Reforms).

(b) The remaining non-town Khas mahal lands (3,417 acres) were administered by the respective Subdivisional Land Reforms Officers and Subdivisional Officers.

*Leases*—Out of 907 cases of long-term and short-term leases pertaining to town Khas mahal lands, demand and collection registers were maintained only in respect of 67 cases (September 1975). For the remaining 840 cases no such register had been maintained since March 1966.

In respect of non-town Khas mahal properties (3,417 acres) no information was available (November 1975) as to the lands settled on lease and the amount of annual revenue therefrom. On this being pointed out in audit (September 1975), the Land Reforms Officers stated that they were not aware of the existence of any Khas mahal lands in their respective circles and no Khas mahal lands were settled from these circle offices.

Under rule 235 of the Manual, action should be initiated before the expiry of the existing leases, valuation of the lands should be got ready and advertisements should be made for fresh settlements. It

was noticed that in thirty-four cases involving land of 0.22 acres and fetching annual revenue of Rs.2,040 the leases were not renewed for a number of years and in some cases the tenure of the leases had expired 20 years ago. Holding-over dues were, however, being recovered in these cases. If these lands had been leased on the basis of current valuation of land, considerable additional revenue could have accrued to Government.

### 63. 24-Parganas District

No comprehensive picture of Khas mahal properties in the district could be collected from the office of the Additional District Magistrate. Records in respect of Khas mahal properties situated within the Calcutta town area only were available. The information furnished to audit (September 1975) was as follows :

Tahsil	Number of holdings	Total area	Annual Demand	Arrear Demand
(In rupees)				
Manicktala	437	066 Bighas 1 Cottah 10 Chataks 11 sft	4,48,385	3,30,354·11
Boliaghata	295		2,13,929	2,93,825·24
Hastings	286		1,24,755	1,78,108·00
	1,018		7,87,069	8,02,287·35

It was also noticed that the particulars of actual holdings of Khas mahal properties were not correctly maintained by the department. Consequently, in many cases leases were not at all processed or correctly processed, rents were not realised or were determined incorrectly, valuation of land was not properly done and undeserved relief was granted to tenants.

For example, in Barasat-I circle 9 plots of lands situated at Barasat Court compound were settled with eight persons and one club in 1958 and 1959. No demand and collection registers in respect of these settlements were maintained and no record could be produced indicating the period of lease and the amount due in each case.

64. Some interesting points noticed during audit are mentioned below:—

(a) **Under-valuation of property**—For long-term settlement the Manual prescribes rent at 4 per cent of the market value of the land proposed for settlement and salami at ten times the rent. In determining the market value of the land proposed for settlement the sale

price estimated from the records of recent sales of similar lands in the neighbourhood is to be taken into account. The figures of such recent sales are to be obtained from the Sub-Registrar's office and the estimate so obtained is to be carefully checked against the valuation in land acquisition cases made in the locality. There is a double check in-built in this procedure and non-compliance with this procedure may lead to incorrect valuation.

In leasing out Khas mahal lands, the district authorities in 24-Parganas did not follow this procedure. The procedure adopted was to obtain valuation report from the Land Acquisition Collector alone in respect of a particular holding only for determining the rent. The sale value of similar lands as recorded in the office of the Sub-Registrar was not taken into account.

Non-compliance with the prescribed procedure led to undervaluation of lands in the district as shown below :

Instances of valuation by Land Acquisition Collector :

Holding Number	Locality	Date of Valuation	Valuation per cottah	
				Rs.
c c 5-2-11	Manicktala	.. 9th August 1963	..	3,960
b c 1-1-6	Beliaghata	.. 5th November 1965	..	3,150
c c 1-1-9A	Beliaghata	.. 20th March 1975	..	2,970
c c 1-2-5	Beliaghata	.. 2 <sup>nd</sup> May 1975	..	3,000
c c 1-2-11	Beliaghata	.. 1 <sup>st</sup> February 1975	..	3,450

Here the average valuation is Rs. 3,306 per cottah.

Valuation by the office of the Sub-Registrar was not got done by the district authorities. The following figures were collected from the Sub-Registrar's office, Sealdah, in respect of lands in the vicinity of Khas mahal lands at Calcutta (Ultadingi under Manicktala Tahsil).

Area (1)	Locality (2)	Year of sale (3)	Value (4)
Rs.			
5 cottahs ..	.. Ariff Road in Manicktala	.. 1974	25,000
2 cottahs 8 chataks 21 sft.	Ditto ..	.. 1975	18,000

In this case the average valuation is Rs.5,740 per cottah.

The valuation of land per cottah in Manicktala and Beliaghata tahsils as assessed by the Calcutta Improvement Trust and offered in an advertisement dated 1st October, 1975 for sale in respect of plots of land in the vicinity of the Khas mahal lands were as follows :

Area	Amount (Rupees)
Manicktala .. ..	14,000 to 19,725
Beliaghata .. ..	18,000

If the three valuations are compared the position is as follows :

Authority	Valuation per cottah Rs.	Area
Land Acquisition Collector ..	3,306	Manicktala and Beliaghata
Sub-Registrar's Office ..	5,740	Manicktala
Calcutta Improvement Trust	14,000 (minimum).	Manicktala and Beliaghata

The annual demand on account of rent from Khas mahal lands in Calcutta area on the basis of the Land Acquisition Collector's valuation is Rs.7.87 lakhs. Even on the basis of valuation as disclosed in the registered deeds in the office of the Sub-Registrar, the annual demand for over 666 bighas would be Rs.30.58 lakhs.

(b) **Loss due to delay in resettlement in respect of expired leases**—In 1959 the Construction Board of the Development Department informed the Board of Revenue that a scheme had been prepared for filling up the Circular Canal between the Beliaghata Canal and the New Cut Canal to build up a wide boulevard on this filled up land and build housing colonies on its two sides. Most of the lands on both sides of the Canal were Khas mahal lands and 351 Khas mahal holdings were involved in the scheme. On the request of the Construction Board, the Board of Revenue asked the Collector, 24-Parganas, in October 1959 to get possession of 30 selected plots by issuing eviction notices to the existing tenants. The notices were issued between 1st January 1960 and 15th June 1961 but as the scheme was not approved the eviction action was not pursued. In September 1970 the Board of Revenue informed the district authorities that the small plots within the circular canal holding would not be of any practical use for Government housing projects and that the

Housing Department had agreed to release the holdings for settlement. They were also requested to send formal proposals for long term settlement of such holdings, the tenure of lease in respect of which had already expired, to be effective from April 1971. But no settlement in respect of 316 of these holdings had been done (May 1977).

It was also noticed that leases in respect of the following 466 holdings expired, mostly in the year 1966, but no attempt was made to settle the lands on new terms :

Tahsil		Short-term	Long-term	Total
Manicktala	..	219	31	250
Beliaghata	..	202	14	216
		421	45	466

As a result the lands continued to be in possession of the previous lessees. Had the lands been leased out on fresh terms, Government would have received enhanced lease rents determined on the basis of valuation of such lands at the time of resettlement.

On this being pointed out in audit (September 1975), the department stated (September 1975) that they were prevented from making any long-term settlements of the holdings involved in the proposed Housing Scheme. It was also stated that to avoid loss of revenue rents were being realised at enhanced rates by increasing the existing rent by 6½ per cent and 12½ per cent, for holdings up to 5 cottahs and more, respectively. Though there was an embargo on giving long-term settlements, it would be evident from the above that out of 466 holdings, 421 related to short-term lease and these could have been settled afresh on year to year basis. Further the enhancement of 6½ per cent or 12½ per cent was not in accordance with the provisions of the Manual. No reasons were, however, adduced for not effecting fresh settlements after the embargo was removed in 1971.

A comparative study was made in audit in respect of the rents (including the enhancement of 6½ per cent and 12½ per cent) due to be received by Government and the amount that would have been received had the lands been leased out afresh, immediately on expiry of the existing leases, on the basis of valuation given by the Land



Acquisition Collector in respect of lands of the same tahsil. The study of 324 out of the 466 cases revealed that the rents at revised terms would have been much higher and the following additional amount could have been earned as rent during the period from the date of expiry of the leases till 31st March, 1971:

Tahsil		Number of cases	Amount (In lakhs of rupees)
Manicktala	.. ..	162	5.43
Behaghata	.. ..	162	11.69
Total		324	17.12

(c) **Loss due to non-leasing of property**—As per Register of Khas mahal properties maintained in the office of the Additional District Magistrate (Land Reforms), Howrah, a total of 2897.39 acres of Khas mahal land was leased out, between 1941 and 1955. All the leases expired between 1952-53 and 1958-59. Thereafter the leases were not renewed, nor were the lands leased out to fresh persons (November 1975). Owing to non-leasing of the lands, Government had to suffer loss of revenue of Rs.3.84 lakhs till 31st March, 1976 calculated at the rate of last lease.

In an order of Government (1970) the Collector, Howrah, was asked to take possession of 160 acres of land relinquished by the Eastern Railway and manage it as Khas mahal land. On actual survey the land was found to be 155.31 acres and possession thereof was taken on 7th July, 1972. Valuation of the said land was determined at Rs.8.37 lakhs by the Special Land Acquisition Collector. Out of this land, 77.67 acres were handed over to the Veterinary Directorate in October 1972. The remaining 77.64 acres of land was not leased out till the date of audit (November 1975). On the basis of the aforesaid valuation, annual rent at Rs.16,733 (being 4 per cent of market value) could have been collected had the land been leased out. Hence, owing to non-leasing of vacant land, Government sustained loss of revenue of Rs.58,562 during the period

7th July, 1972 till the date of audit (December 1975) and the loss will continue at the rate of Rs.16,733 per annum till the land is leased out.

(d) **Loss due to non-renewal or delay in renewal of leases**— Under rule 235 of the West Bengal Government Estates Manual, 1953, action should be initiated even before the expiry of the existing leases to get the valuation of the land ready and have the case advertised for settlement. In the following cases considerable losses of revenue were noticed during test audit of accounts of the Additional District Magistrate, 24-parganas (North).

(i) *Khas mahal Grand Trunk Canal land at Baranagar Mouza under Kharda Circle*—A total area of 13.1797 acres of Khas mahal land in 61 holdings exists at Baranagar Mouza under Kharda Circle. The leases expired between 1958 and 1971. Owing to non-leasing of the lands on the basis of current valuation as furnished by the Kharda Circle Office I (as per procedure laid down in rule 211 of the Manual), Government had sustained a loss of Rs.25.62 lakhs during the period 1958 to 1975.

The loss would continue at the rate of Rs.1,42,353 per annum till the lands are leased on the basis of present valuation. *Salami* to the extent of Rs.14.23 lakhs would also have been leviable on long term settlement.

(ii) *Khas mahal lands in Hastings*—The town Khas mahal lands of the 24-Parganas district were under the jurisdiction of three tahsils, viz., Manicktala, Beliaghata and Hastings. In Hastings area, the lands comprised 286 holdings with an annual demand of Rs.1,24,755. In the course of audit (September 1975) it was noticed that the tenure of 59 long-term leases had expired 6 to 25 years ago, but no attempt appears to have been made to settle the lands afresh and assess the rent and *salami* as per the provisions of the Manual. As a result, Government have been getting only holding-over dues (i.e. the amount received from the ex-lessee equal to the last lease rent, when the land is not resumed after expiry of the lease) instead of rent determined on the basis of current market value of the land.

It would be seen from the table given below that owing to non-renewal of leases in time Government had sustained a loss of revenue to the tune of Rs.10.10 lakhs from the dates of expiry of lease till 31st March, 1971 :

Serial Number	Holding Number	Area				Date of expiry of lease
		Bigha	Cottah	Chatak	Square foot	
(1)	(2)	(3)				(4)
1	2D/1	0	4	0	0	31st March 1958
2	3	1	3	4	43	31st March 1963
3	99A	0	1	4	0	31st March 1958
4	190	0	5	34	0	31st March 1958
5	1(J-Pul)	12	0	2	25	31st March 1945
6	2(J-Pul)	3	10	0	0	31st March 1945

Serial Number	Rent realisable on the basis of expired lease (In rupees)	Rent on the basis of current valuation (In rupees)	Loss of revenue (In rupees)
(1)	(5)	(6)	(7)
1	16.87	960.00	10,943.01
2	1,678.31	5,593.40	29,642.72
3	156.00	300.00	1,710.15
4	13.00	62.76	635.05
5	26.00	28,819.16	7,48,917.91
6	3.67	8,400.00	2,18,299.38
			10,10,148.22

(iii) *Khas mahal land at Purbasinthi Mouza under Kharda Circle*—There were 18 Khas mahal holdings in Purbasinthi Mouza with a total area of 2 bighas 9 cottahs 5 chataks 24 sft. out of which one holding measuring 9 cottahs was stated by the Circle office to have been given on long-term lease. The lease of 13 holdings expired in 1960 and there was no lease in respect of 4

holdings. The lands were under the occupation of the old lessees and holding-over dues were also not realised. No attempt was made for settlement of the 17 holdings mentioned above on long-term lease. Had the lands been leased out promptly on the basis of current valuation made by Kharda Circle office, it would have earned annual revenue amounting to Rs.4,800. The total loss of revenue on this account worked out to Rs.72,000 during the period 1961 to 1975.

(iv) *Khas mahal holding at Howrah town area*—A total area of 13 cottahs 4 chataks 6 sft. of land at 2 Foreshore Road, Howrah, was let out on lease in 34 plots at a total annual rent of Rs.2,040.92p. The lease tenures in respect of all the 34 plots expired between 1955 and 1967, as per table given below :

Year of expiry of lease		Number of cases
1955	..	1
1956	..	3
1957	..	11
1958	..	3
1959	..	5
1960	..	5
1961	..	5
1967	..	1
		34

The land had not been settled on the basis of current market valuation (November 1976). The exact market value of the plots in question was not obtained by the local office and was, therefore, not available.

(v) *Khas mahal holding of 24-Parganas*—The holding No. K.K. 1-16-287 of 24-Parganas was given on long-term lease from 1st April, 1923 to 31st March, 1953 to an individual. No *salami* was realised and the lessee had no right for renewal of the lease. During the pendency of the lease, the holding was transferred to another person and again to yet another person with the permission of Government. As the last lessee was not agreeable to retaining the land on revised valuation, Khas possession of the land was taken from him on 4th January 1968.

As per valuation given by the Land Acquisition Collector, rent of the land was determined at Rs.1,803.08 per annum.

From the records of the Additional District Magistrate's office at Alipore, it was noticed that the land was under the occupation of several sub-tenants. There were many 'pucca' structures on the land and a portion of it was under unauthorised occupation of 19 families. Holding-over dues were realised up to 31st March, 1956. Since then, a sum of Rs.34,257 (1,803.08p.×19 years) fell due. Notice was served by the Land Acquisition Collector for acquisition of a portion of the holding required for Mass Rapid Transport System. Consequently, the realisation of the arrear dues from the evicted tenants is uncertain. The lease expired in 1953 and it could not be renewed or fresh lease made during the last 24 years. Owing to this delay the arrears had accumulated to the extent of Rs.34,257. The Additional District Magistrate, while accepting the facts, stated (August 1975) that attempt was being made for realisation of old dues and for settling the lands on fresh lease.

(vi) The seven Khas mahal holdings mentioned below were given on short-term lease for the period 1st January, 1963 to 31st March, 1966 to a company at the annual rent shown against each holding. Holding-over dues were realised up to 31st March, 1968.

#### Manicktala Tahsil—24-Parganas

C. C. Holding No.	Area			Rent
	Cottah	Ch.	Sft.	Rs.
4-2-42 ..	1	13	15	124·17
4-2-43-1 ..	2	4	30	192·16
4-2-43-2 ..	1	4	0	104·77
4-2-43-3 ..	4	7	35	364·63
4-2-43-5-1 ..	2	3	19	180·34
4-2-43-5-2 ..	2	4	9	198·27
4-2-43-5-3 ..	7	1	32	596·69
1 Bigha 1 Cottah 6 Chatak, 5 Sft.				1,760·03

It was noticed from the records of the Additional District Magistrate's office at Alipore that no attempt was made to lease out the land on long-term basis after expiry of the existing lease in 1966. No attempt was also made for eviction of the occupant during the period April 1967 to May. On 9th June, 1975 notice was issued asking the ex-lessee to quit the land but the notice could not be served upon the lessee as the factory was found closed and nobody was found in the premises. In 1959 there was a proposal of the Development Department (Construction Board) to build Housing

Schemes on Khas mahal plots and the Board of Revenue was requested to see that the lands were made available when required for the purpose. In 1971 the Scheme was dropped. Though the embargo on leasing out the lands on account of the Housing Scheme was lifted since April 1971, this land could not be settled (May 1977). As the ex-lessee had already closed down his factory and he could not be traced out for serving the notice of quitting the land, arrear dues amounting to Rs.10,560 had not been recovered (May 1977).

(vii) *Non-agricultural Khas mahal land at Touzi No. 497—Howrah*—A piece of Khas mahal land measuring 1 bigha 13 cottahs 3 chataks 32½ sft. was settled with a company and the lease term expired on 31st March 1960. Though the lessee was willing to enter into a fresh lease on long-term basis, neither any action was taken for its execution, nor was the land settled with any other party. The rent of the land worked out to Rs.2,660 per annum on the basis of market value (2,000 per cottah) given by the Land Acquisition Collector. Owing to delay in the settlement of the land, loss to the tune of Rs.42,460 had been sustained by Government during the period April 1960 to March 1976 and this will continue at the rate of Rs.2,660 per year till the land is leased out.

## 65. Uncollected rent

(a) *Khas mahal land at holding No. 27, Nityadhan Mukherjee Road, Howrah, comprised the following areas:*

	Acres
A—Revenue free Estate of B—1 Group under Touzi No. 839	1.6841
B—Diara Estate No. 1107	2.639
C—Subsequent alluvial accretion of Diara Estate No. 1107	1.0164
Total area	5.3395

A company was the lessee of the areas mentioned above on year to year basis till 31st March, 1955. At the time of introduction of the West Bengal Estates Acquisition Act, 1953 (April 1955) instruction was issued by the Board of Revenue not to renew the lease any further. In the proceedings of the Settlement Department, it was decided (December 1967) that the company was entitled to retain the land and Government had only rent receiving interest and was entitled to rent of the land as assessed by the revenue authorities

(Rs.10,987.19 p. a year). The Board of Revenue issued orders only in February 1976 for realisation of the rent from the company. Demand of Rs.2,30,731 due from the tenant for the period 15th April, 1955 to 14th April, 1976 was raised in October 1976. Particulars of collection are awaited (May 1977).

(b) From the records of Barasat Circle Office it was noticed (December 1975) that an area of 1.24 acres of land in the Barasat Court Compound was leased out to a Corporation in 1960. Though pucca structures were constructed thereon, the land was not under the possession of the Corporation. No record could be shown regarding the date of commencement of lease, amount of lease rent, period of lease and the date of taking back the possession of the land if it had been relinquished by the Corporation. Taking the market value of the land to be Rs.3,000 per cottah, as given by the Circle office, total valuation worked out to Rs.2.23 lakhs (74.40 cottah). The annual rent payable under rule 211 of the Manual being Rs.8,928 the total rent on this account was Rs.1.34 lakhs for 15 years. No record could be shown by the local office as to raising and collection of the demand. In case, the Corporation had quitted the land, no attempt appears to have been made to lease it out afresh.

#### **66. Loss due to incorrect determination of rent**

The tenure of lease of a holding (No. BC 1-1-6) measuring 5 cottahs 2 chataks 20 sft. expired on 31st March, 1965. The lessee prayed for renewal of the lease. The Land Acquisition Collector, 24-Parganas, valued the land at the rate of Rs.3,150 per cottah. The rent was determined at the rate of Rs.649.25 per annum (4 per cent of market value) as per rule 211 of the Manual and the lessee was informed accordingly. He then filed a petition against the proposed rent on the ground that the rent was higher in comparison to rents of other holdings in the vicinity. The Additional District Magistrate (Estate Acquisition), 24-Parganas, ordered fixation of rent at the rate of 4 per cent of 60 per cent of the market value of the holding. Accordingly, annual rent of the holding was reduced from Rs.649.25 to Rs.438.24 and it was approved by the Board of Revenue in March 1975. Such reduced valuation in the absence of stipulation to that effect in the original lease agreement was contrary to the provisions of rule 211 of the Government Estates Manual. Owing to incorrect determination of rent Government had to sustain loss of Rs.6,330 (649.25—438.24×30 years).

#### **67. Loss due to granting of irregular relief**

A holding bearing No. 3-12-48 (24-Parganas) was leased out for 90 years from 1-4-1931 to a company. From the records of the office of the Additional District Magistrate (L.R.), 24-Parganas, it was

noticed that the Collector came to know in 1971 that the lessee had left India for good and had sublet the holding without any permission of the lessor. The lease was terminated for breach of contract and possession of the premises along with one two-storeyed building (constructed by the ex-lessee) was taken on 17-2-1972. One of the sub-tenants of the ex-lessee prayed for long-term settlement of the holding.

Valuation of the land and building thereon was assessed as under by the Land Acquisition Collector, 24-Parganas:

				Rs.
Land	..	..	..	22,183.00
Building	..	..	..	39,896.00
			Total ..	62,079.00

Accordingly, annual rent and salami was assessed at Rs.2,483 (4 per cent of value) and Rs.24,831 (10 times rent), respectively.

The petitioner for the land claimed that he spent a sum of Rs.22,122 towards repairs of the building during the period 1964 to January 15, 1969, while he was a sub-tenant under the ex-lessee and prayed relief on this account.

The Board of Revenue approved (October 1974) the long-term settlement of the holding with the petitioner for 30 years from February 17, 1972, on annual rent and *salami* as mentioned above. A sum of Rs.22,122 was ordered to be adjusted against the salami as it was spent towards improvement of the building by the petitioner.

Under clause (c) of the Standard Form of long-term lease, a lessee is debarred from making any addition or alteration to any building on the leasehold land except in accordance with plans, elevation, sections and specifications previously approved by Government. Even if any addition|alteration is made or any repair is done with the approval of Government, there is no provision in the rules for reimbursement of the expenditure to the lessee. In the present case the tenant was not even the lessee but was an unauthorised sub-tenant of the then lessee and had no *locus standi* at all. The relief of Rs.22,122 granted to him was not covered by any rule and was, therefore, irregular.



### 68. Miscellaneous irregularities

In the course of audit two other important irregularities in realisation of dues and management of Khas mahal properties were noticed. These are described below:

(a) *Area under unauthorised occupation*—In the Howrah town, a total area of 3 cottahs 7 chataks and 25 sft. of land was stated to be under unauthorised occupation in seven cases, while the area under unauthorised occupation in the non-town area (Orissa Trunk Road side land) was reported to be 511 bighas 2 cottahs 13 chataks 8 sft. (September 1975). Though eviction cases were stated to have been initiated in respect of the town lands, no details thereof were available in the office of the Additional District Magistrate (Land Revenue), Howrah. No action was taken for eviction of the unauthorised occupants from the non-town lands (May 1977).

(b) *Lease documents in respect of fixation of rent not available*—Monthly rents were being realised from the following escheat properties at the rates shown against each, but the records relating to lease agreement, currency of lease and manner of fixation of rent were not available in the office of the Additional District Magistrate (L.R.), 24-Parganas.

Premises No.	Particulars of structure	Monthly rent	Effective from
17 Sashi Sur Lane, Calcutta.	Two-storeyed building with 4 rooms.	40·00	1-4-1950
16 Dayal Mitra Lane, Calcutta.	Three-storeyed building ..	30·00	15-1-1957

As the rents of the buildings appeared to be low, relevant lease agreement with information regarding currency of the lease and manner of fixation of the rent were called for in September 1975 for scrutiny in audit but the relevant documents were not available in the local office.

The points referred to in the foregoing paragraphs were reported to Government between February and July 1976; reply is awaited (May 1977).

## CHAPTER V

## MINES AND MINERALS

## Assessment and realisation of royalty on coal

69. **Introductory**

Under the West Bengal Estates Acquisition Act, 1953, rights in sub-soil including rights in mines and minerals, previously enjoyed by Zamindars, vested in the State with effect from 15th April, 1955. Consequently, an intermediary as well as a lessee of an ex-intermediary became direct tenant under Government and royalty on coal and other minerals became payable to the State Government from 1st April 1955.

70. **Royalty on coal**

West Bengal is one of the major coal producing States in India and about 24 per cent to 26 per cent of the country's total production is contributed by West Bengal. In West Bengal, coal is by far the most important mineral and more than 99 per cent of the total value off all minerals is contributed by coal as per details given below :

		Name of minerals					
		(Value in thousand rupees)					
Year		Coal	China clay	Dolomite	Fire clay	Lime-stone	Mica
1972	..	6,77,180	886	195	182	82	4
1973	..	7,37,880	1,347	352	377	96	21
1974	..	10,07,390	1,456	168	294	72	9

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71. **Assessment and Collection**

The assessment of royalty is done by the Chief Mining Officer, Asansol and collection is made by the Subdivisional Land Reforms Officers. But owing to considerable delay in finalisation of assessments, the quantum of uncollected royalty has increased substantially. Mention was made in paragraph 32 of the Comptroller and Auditor General's Report on Revenue Receipts for the year 1973-74 about arrears of over Rs.30 crores in the recovery of royalty on coal. The

arrears of royalty had increased further and for the pre-nationalisation period a claim of Rs.70.04 crores on account of royalty, surface rent and cesses and interest thereon had been preferred before the Commissioner of Payments. The uncollected royalty for the post-nationalisation period worked out to Rs.7 crores (approximately).

## **72. Non-assessment of surface rent**

Under the Mineral Concession Rules, 1960, every lessee of the mining leases is required to pay surface rent for the surface area used by him for the purposes of mining operations. In cases of lands not included in such leases, which vest in the State by the operation of the West Bengal Estates Acquisition Act, 1953, and is in the use or occupation of the lessees for mining operations, such lands, under section 30 of the Act mentioned above shall be deemed to have been included in such leases with effect from the date of vesting, i.e., 15th April 1955. The lessees are also required to pay such fair and equitable rent for the lands as may be agreed upon between the State Government and the lessee or in default of agreement, as may be fixed by the Mines Tribunal. Though the surface rent is realisable from April 1955 no assessment was made or demand raised till January 1976 for the lands included in the leases.

By a notification issued in April 1969 instruction was issued to mining officers to furnish information to the concerned Additional District Magistrate regarding provisions for realisation of surface rent in the respective lease deeds. The Subdivisional Land Reforms Officer, Asansol, stated in February 1976 that there was no lease document in his office to ascertain the terms of the leases. Evidently, the Mining Directorate did not furnish any information to the Additional District Magistrate regarding provisions in the lease deeds for realisation of surface rent and no surface rent had been assessed and realised since April 1955. In the absence of the lease documents, the exact amount realisable could not be worked out in audit. As the amount of surface rent due to Government is not known, no claim was preferred by Government against the ex-colliery owners before the Commissioner of Payments. In the absence of assessment of the dues, the arrears could not also be recovered as personal liability of the ex-colliery owners, as provided for in the Coal Mines Nationalisation Act, 1973.

As regards lands not included in the leases, and the rents in respect of which are to be determined by the State Government, under section 30 of the West Bengal Estates Acquisition Act, 1953, Government stated in September 1976 that in respect of nine collieries (out of 315 collieries), orders were issued fixing the rent at the rate of Rs.15 per bigha. The total annual rent realisable was stated to be

Rs.5,697. Hence the total sum realisable in respect of nine collieries from April 1955 to March 1977 worked out to Rs.1,25,334. In respect of all the collieries Government had preferred claim for Rs.1.28 crores towards surface rent only in respect of lands not included in the leases.

The matter was reported to Government in July 1976; reply is awaited (May 1977).

**73. Royalty due from ex-intermediaries who were working their mines without executing lease agreement with Government**

Under the West Bengal Estates Acquisition Act, 1953, so much of the land (including sub-soil rights thereon) in a notified area, held by an intermediary immediately before the date of vesting, as was comprised in or as appertained to any mine which was being directly worked by him immediately before such date, shall, with effect from such date, be deemed to have been leased by the State Government to such intermediary. The terms and conditions of such lease shall be as agreed upon between him and the State Government, or in default of agreement, as may be settled by the Mines Tribunals, provided that all such terms and conditions shall be consistent with the provisions of any Central Act for the time being in force relating to grant of mining leases.

A total demand of Rs.3,25,65,156 in the form of royalty and other dues was assessed between 1969 and 1972 against eighteen collieries covered under section 28 of the Act for the period 15th April 1955 to 31st January 1973 but no information as to the realisation of the dues could be furnished by the department. There was no formal agreement between the Government and the ex-intermediaries, and no precaution in case of default/non-payment by the latter appears to have been taken by the department.

The matter was reported to Government in July 1976; reply is awaited (May 1977).

**74. Loss of revenue due to non-assessment of royalty on coal consumed by the collieries**

Under the Mines and Minerals (Regulation and Development) Act, 1957, where the holder of a mining lease became liable to pay royalty for any mineral removed or consumed by him or his agent, manager, employees, contractor or sub-lessee from the leased area, he was liable to pay either royalty or dead rent in respect of that area, whichever was greater.

Assessment of royalty on coal was made only on the quantity of coal despatched from collieries without assessing the royalty on coal consumed at the colliery. A test audit revealed that royalty not assessed on consumption of different grades of 1,90,570 tonnes of coal by five collieries between January 1973 and March 1975 amounted to Rs.3,50,819.

On this being pointed out in audit (January 1976), the department stated (January 1976) that assessment of royalty had been made on the quantity of coal despatched, according to the provisions laid down in a notification issued by Government in April 1969. No royalty had been assessed on the coal consumed in the colliery boilers and the coal used by the workmen, unless the quantities appeared to be abnormally high and no case of abnormally high colliery consumption had been detected so far.

The stand taken by the department is not in conformity with the provisions of the Act as the mineral consumed by the lessee or his agent/manager was liable to royalty. Only the quantity of coal consumed by the workmen, as defined in the Workmen's Compensation Act, 1923, was exempt from royalty up to the maximum limits prescribed for the purpose. But the quantity of coal consumed by such workmen was not indicated in any case.

The matter was reported to Government in July 1976; reply is awaited (May 1977).

#### 75. Loss of revenue due to despatches of coal escaping assessment

Assessments are made on the actual despatch figures submitted by collieries concerned in their monthly returns. It was noticed in audit (January 1976) that certain despatches though stated to have been made by the collieries were not considered for the purpose of assessment :

Colliery	Period of returns	Quantity despatched as per return Grade/Tonne	Quantity assessed to royalty Grade/Tonne	Quantity escaped assessment Grade/Tonne
(1) Colliery—A ..	October 1973 ..	Gr. I 33,865	..	Gr. I 33,865
		Selected B 19,135	Selected B 19,135	..
	December 1973 ..	Gr. I 39,140	..	Gr. I 39,140
B 23,828		B 23,828	..	
Gr. I 21,416		Gr. I 21,416	..	
(2) Colliery—B ..	August 1974 ..	Gr. I 31,912	..	Gr. I 31,912
			<b>Total ..</b>	<b>Gr. I 1,04,917</b>

This resulted in short levy of royalty to the extent of Rs.1,83,604 (calculated at the rate of Rs.1.75 per tonne).

The matter was reported to Government in July 1976; reply is awaited (May 1977).

#### 76. Under-assessment of royalty due to incorrect determination of F.O.R. price

Under the Mines and Minerals (Regulation and Development) Act, 1957, and also according to a decision of the State Government taken in February 1969, royalty on coal is chargeable at 5 per cent of F.O.R. price of coal despatched. The rates of F.O.R. prices were fixed from time to time by the Joint Working Committee, representing the trade, industry and Government in respect of different types of coal. It was noticed in cases of certain collieries that incorrect rates of F.O.R. price were applied for determining the royalty as follows .

Colliery	Period of return	Grade of coal	Quantity despatched (Tonne)	Rate of F O R price applied (Rs per tonne)	Rate of F O R price applicable (Rs per tonne)	Short levy of royalty (5 per cent of F O R price)
						Rs
(a) Colliery—A	1 4 69	Gr I Steam	3,942	32 56	32 56	34,326 00
	30 6 69	Gr I Slack	3,550		31 53	
	1 7-69	Gr I Steam	19,315		36 50	
	31 3 70	Gr I Slack	24,876		35 50	
	1 4 68	Gr I Steam	13,002	28 99	32 56	6,139 00
31 10 68	Gr I Slack	21,300	27 96	31 53		
(b) Colliery—B	1 4 70	Gr I Steam	84,902	(Royalty assessed on different rates of F O R price at Rs 1,97,037 00)	36 50	14,465 00
	28 2 71	Gr I Slack	31,863		35 50	
(c) Colliery—C	1-9-67 31-12-67	Gr II Coal	30,057	27 30	31 00 (average)	5,861 00
(d) Colliery—D	1 1 70	Gr I Coal	4,10,713	36 25	36 50	5,133 00

There was thus under-assessment of royalty to the extent of Rs.65,924 on this account.

The matter was reported to Government in July 1976; reply is awaited (May 1977).

### 77. Loss of revenue due to the quantum of despatch taken at a figure less than the actual

Assessments of royalty on coal were made by the department as per despatch figures submitted by the respective collieries in their monthly returns. In the following cases the despatch was taken at a figure less than that returned by them for the purpose of assessment.

Colliery	Period of return	Grade of coal	Quantity despatched (Tonnes)	Quantity assessed to royalty (Tonnes)	Difference (Tonnes)	Remarks
(a) Colliery—A	1-4 74 to 30-6 74	Gr. I	59,900 9	49,900.9	10,000	Royalty at the rate of Rs. 1 75 per tonne.
	1 10 74 to 31-12 74	Gr. I	66,087.5	60,087 5	6,000	
(b) Colliery—B ..	1 5 73 to 31 3-74	Gr. I	46,687 0	36,993 5	9,693.5	Ditto.
	1 5 73 to 31-3-74	Gr. II	54,289 9	38,590.5	15,690.4	
(c) Colliery—C ..	1-7-69 to 31-3-70	Slack	53,731	49,731	4,000	Royalty at the rate of 5% on F.O.R. price.
	1-7-69 to 31-3-70	Steam	74,250	65,228	9,022	Slack Rs. 35.50 and Steam Rs. 36.50 per tonne.
(d) Colliery—D ..	1-7-74 to 31-7-74	Gr. I	48,430	81,168	6,742	Royalty at the rate of Rs. 1.75 per tonne.
	1-9-74 to 30-9-74	Gr. I	39,480			

This resulted in under-assessment of royalty to the extent of Rs.1,03,862.

The matter was reported to Government in July 1976; reply is awaited (May 1977).

### 78. Under-assessment of royalty due to mistake in computation

In the course of audit it was noticed that in certain cases royalty was under-assessed owing to mistakes in computation. A few cases are cited below :

Colliery	Period of assessment	Royalty assessed	Royalty due	Short levy of royalty
		Rs.	Rs.	Rs.
(a) Colliery A ..	31-1-73 to 30-9-74	11,91,897	12,11,897	20,000
(b) Colliery B ..	1969-70 ..	73,218	78,354	5,136
(c) Colliery C ..	1-10-74 to 31-3-75	1,01,780	1,19,280	17,500
Total ..				42,636

The matter was reported to Government in July 1976; reply is awaited (May 1977).

### 79. Over-assessment of royalty due to incorrect despatch figure taken into account during assessment

As per despatch statements of a colliery a total quantity of 44,616 tonnes of Gr. 1 coal was despatched during the period February 1973 to April 1973. But the assessing officer calculated royalty on 77,691 tonnes of Gr. 1 coal at the rate of Rs.1.75 per tonne. This resulted in over-assessment of royalty to the tune of Rs.57,881.

The matter was reported to Government in July 1976; reply is awaited (May 1977).

### 80. Maintenance of records

The following defects were noticed in audit (September 1974) in the maintenance of records at the office of the Chief Mining Officer, Asansol.

(a) *Despatch statement not available*—Royalty on coal is based on the figures of despatch of coal. The collieries are required to submit monthly statements showing the opening balance, raising, despatch and closing balance of coal for the concerned month. Hence this statement is the basic document for the purpose of assessment. It was, however, noticed during audit that in many cases the collieries did not furnish any monthly return or the returns submitted were not signed by the colliery authorities. In cases of non-receipt of despatch



figures from the collieries such figures were obtained by the Chief Mining Officer from the Office of the Director General of Mines Safety, Dhanbad. Such figures were also not authenticated either by any officer of the Director General of Mines Safety or by the employee of the Chief Mining Officer, collecting the data. Thus, in many cases, the assessments were completed on the basis of unauthenticated documents.

(b) *Realisation figure not available*—A royalty register was maintained at the office of the Chief Mining Officer, Asansol, indicating the assessments made from time to time. But no record was available in the assessing offices indicating assessee-wise position of demand and collection and the uncollected amount to be recovered.

The matter was reported to Government in March 1976; reply is awaited (May 1977).

### **81. Non-levy of royalty on extraction of minor minerals**

(i) The West Bengal Minor Minerals Rules, 1973, which were promulgated on 30th January, 1974, prescribed the rates of royalty on all minerals at Rs.1.75 per cubic metre. The Fertiliser Corporation of India stated (April 1974) to a land reforms circle office in Midnapore district that eight contractors of the district had supplied 78,170 cubic metres of minor minerals (sand) to them during the period 1st February, 1974 to 30th March, 1974. In the course of audit (December 1974) it was noticed that the royalty amounting to Rs.1,36,798 on this account had not been assessed and realised by the department.

(ii) Under the West Bengal Minor Minerals Rules, 1959, the rate of royalty prescribed for brick earth was between Re.1.50 (minimum) and Rs.2.50 (maximum) per 100 cft. equivalent to 1,382 bricks. In Midnapore district four brick manufacturers manufactured 22,10,000 bricks during the years 1369 B.S. to 1377 B.S. (1962-63 to 1970-71). The royalty payable on brick-earth for the manufacture of the afore-said bricks had not been assessed (May 1977).

The matter was reported to Government in November 1975; reply is awaited (May 1977).

### **82. Loss of Revenue due to non-realisation of increased royalty for use of minor minerals**

Mention was made in paragraph 40 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75 of loss of revenue due to realisation of royalty for

use of minor minerals at a lower rate which was in existence prior to 30th January 1974 when the rate was increased to Rs.4.935 per 100 cft. Several more cases which came to notice of audit (November 1974 to January 1975) are given below:

(i) In the district of Midnapore, leases were granted during the period 31st January 1974 to 16th April 1974, for mining minor minerals of 4,39,000 cft. in ten cases and 9,89,161 cft. in three cases, on payment of royalty at the rate of Rs.2.50 and Rs.2.00 per 100 cft., respectively, instead of at the rate of Rs.4.935 per 100 cft. This resulted in loss of revenue to the extent of Rs.39,650.

(ii) In the district of Darjeeling, the lease for mining minor minerals of 11,35,985 cft. was granted during the period 30th January 1974 to 31st December 1974, on payment of royalty at the rate of Rs.2.50 per 100 cft. instead of Rs.4.935 per 100 cft. This resulted in loss of revenue of Rs.21,507.

The cases were reported to Government between September 1975 and November 1975; reply is awaited (May 1977).

## CHAPTER VI

## STATE EXCISE

**83. Loss of molasses in transit**

Mention was made, in paragraph 42 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1972-73 about losses of molasses in transit to distilleries which obtained the article at concessional rate for manufacture of spirit, on the basis of permits issued by the Commissioner of Excise of the State under the West Bengal Molasses Control Act, 1949. There is, however, no provision either in the 1949 Act or in the Bengal Excise Act, 1909, for allowing the distillery any loss of molasses in transit.

Similar cases of loss of molasses in transit as indicated below, were also noticed in audit during 1975-76 :

(i) In one distillery it was noticed from the monthly statements submitted by the distillery that there were large discrepancies between the quantities noted in the railway receipts (7,994.300 M.T.) and the quantities received at the distillery (7,549.945 M.T.), the quantity short received during 1974-75 was 444.355 metric tonnes. It was ascertained from the authorities of the distillery that the average yield of spirit would be 339 proof litres per metric tonne of molasses. On the basis of the aforesaid ratio of production, 444.355 metric tonnes of molasses could have produced 1,50,636 proof litres of spirit, on which duty amounting to Rs.27.02 lakhs would have been leviable.

(ii) A similar loss of 294.101 metric tonnes of molasses in transit was also noticed in the accounts of another distillery during 1975-76. From the monthly statements of production of that distillery the average yield of spirit from molasses during the year was 369 proof litres per metric tonne. On the basis of the ratio of production of 369 proof litres of spirit per metric tonne of molasses, 1,08,523 proof litres of spirit would have been recovered from 294.101 metric tonnes of molasses on which duty to the extent of Rs.32.56 lakhs would have been leviable.

The matter was reported to Government in September 1976; reply is awaited (May 1977).

**84. Low yield of spirit from molasses**

Rectified spirit is produced by distillation of fermented wash prepared out of molasses. As per the standard prescribed by the Excise Department the extent of spirit that should be obtained from a kilogram of molasses is 0.492 London Proof litre of spirit.

In the course of audit of a distillery it was noticed (February 1975) that during the excise year 1973-74, only 2,10,545 London Proof litres spirit was manufactured from 9,08,733 kilograms of molasses. On the basis of the standard laid down by the department, 4,47,097 London Proof litres of spirit should have been recovered from 9,08,733 kilograms of molasses. Thus, there was shortfall in production of spirit to the tune of 2,36,552 London Proof litres. The duty involved on this shortfall in production worked out to Rs.31.79 lakhs. However, there is no provision either in the Bengal Excise Act, 1909, or in the rules made thereunder for levy of any duty or penalty in the case of any deficiency in the prescribed out-turn.

The matter was reported to Government in August 1975; reply is awaited (May 1977).

#### **85. Loss of revenue due to wastage in course of redistillation of spirit**

Under Rule 38(1) of the West Bengal Excise Compilation (Part II) the allowable percentage of wastage for blending and other processes is 1.5 per cent. For bottling operation another 2 per cent wastage has been allowed. For any loss in excess of the aforesaid norms, duty is leviable at prescribed rates.

In the course of audit of accounts of a distillery (Hooghly district) for the year 1974-75 it was noticed that the Superintendent of Excise, in his yearly stock verification report, had certified as allowable the wastages on account of reduction, blending and racking but not the wastage occurred in stills, in the process of re-rectification of spirit for the preparation of India made foreign liquor. During 1974-75 a quantity of 50,203.4 proof litres of rectified spirit was shown as wastage in the process of re-rectification of spirit for manufacturing India made foreign liquor. The duty involved on this wastage worked out to Rs.15,06,102.

On this being pointed out in audit (March 1976), the department stated (March 1976) that the wastages, mentioned in Rule 38 of the West Bengal Excise Compilation, were applicable only in respect of spirit which was a final product and not an intermediate product; that re-rectification of spirit was done for the purpose of manufacture of sophisticated spirit suitable for manufacture of India made foreign liquor and that there was no ceiling limit for such loss. As the total operational loss is, however, restricted to 3.5 per cent, any loss in excess of this limit would attract duty.

The matter was reported to Government in September 1976; reply is awaited (May 1977).

### 86. Non-levy of duty on chargeable wastage of spirit

Under the West Bengal Excise Manual, storage loss of rectified spirit up to 1.5 per cent is admissible. For any loss in excess of the permissible limit, duty is leviable at full rate.

(i) For the year 1974-75 a bonded warehouse handled 10,62,447.2 proof litres of rectified spirit. The actual storage loss was 16,432 proof litres against the permissible limit of 15,936.7 proof litres. Consequently, duty of Rs.14,859 was leviable on the excess wastage of 495.3 proof litres. But no duty was levied.

On this being pointed out in audit (January 1976), the department admitted the mistake.

(ii) Similarly, in a foreign liquor warehouse, the wastage of rectified spirit till the last day of March 1975, was shown to be 56 proof litres. Prior to any further issue, the stock of rectified spirit was physically verified on 4th April, 1975, by the departmental officers and a further wastage of spirit of 559.6 proof litres was noticed. The total wastage, therefore, worked out to 615.6 (56.0+559.6) proof litres. The admissible wastage at the rate of 1.5 per cent on the quantity of rectified spirit handled by the warehouse worked out to 298.3 proof litres and there was thus an excess wastage of 317.3 proof litres of rectified spirit, on which duty leviable worked out to Rs.9,519. No duty was, however, levied.

Both the cases were reported to Government in July 1976; reply is awaited (May 1977).

### 87. Under-assessment of duty on foreign liquor

Under Rule 14 of the West Bengal Excise Compilation (Part II) the strength of spirit in foreign liquor is required to be certified by the Chemical Examiner of the Government and the duty payable on spirit should be assessed accordingly.

In the course of audit it was noticed in a bonded warehouse in Calcutta that the strength of spirit in foreign liquor in 55 batches during 1973-74 and 1974-75 was reckoned on the basis of certificate of the licensee's chemist. As per report of the chemical examiner of the Government, the strength was higher than that certified by the licensee's chemist, but the corresponding duty for increase in strength had not been assessed (October 1976). The under-assessment of duty amounted to Rs.12,967.

The matter was reported to Government in August 1975 and July 1976; reply is awaited (May 1977).

**88. Certificate receipt in respect of liquor issued for export not received**

The general principle of levy of duty on India made foreign liquor is that duty follows consumption, i.e., duty will be the revenue of the State in which the liquor is consumed. Hence, in the case of export of India made foreign liquor to other States, it is necessary to see that it actually reaches the importing State and that no portion of it is consumed on the way in the State of export. To prevent any irregular consumption of such liquor and consequent loss of revenue to the State of export, the importer is required to return the Transport Pass duly acknowledged with a certificate of verification of the Excise Officer of the importing State.

It was noticed in audit that during the year 1973-74 a total quantity of 1,17,853.14 proof litres of India made foreign liquor was issued for export from four bonded warehouses of the State, in respect of which the acknowledgement and verification certificates were not obtained till January 1977. The duty involved in the issues was Rs.27.14 lakhs (approximately).

The matter was reported to Government in August 1975; reply is awaited (May 1977).

**89. Non-levy of license fee on poppy capsules damaged in store**

Poppy capsules are imported into West Bengal from other States. Under the West Bengal Opium Rules, 1967, a person possessing or dealing in poppy capsule within the State, is required to obtain a licence from the Excise authority for each financial year or for any shorter period, on payment, in advance, of a fee of 25 paise per kilogram or part thereof of the capsules authorised to be imported and a fee of Rs.25 per quintal or a part thereof of the capsules, as authorised for possession. If, however, the authority is satisfied that any portion of the capsule, possessed under such a licence, has been exported out of India, the fee already paid will be refunded on submission of an application to this effect within three months from the date of export. In August 1972, the Excise Department issued an order instructing that no licence would be required to be taken if such capsules were taken straight from the supplier outside the State to the port at Calcutta for despatch abroad and not stored or held in West Bengal.

A trader of this State, importing poppy capsules from other States and exporting them out of India, was, therefore, allowed to deal in poppy capsules without payment of any licence fee from August 1972 and accordingly no licence fee was paid since then. In December 1973, the trader reported to the Excise Authority of Calcutta that

818 bags, containing 184 quintal 5 kg. (approximately) of poppy capsules, were damaged owing to prolonged storage and prayed for an order for their destruction. The department after investigation passed orders in February 1974 for destruction. It was noticed from the investigation officer's report that the trader used to take the whole quantity of capsules imported from other State to the Port at Calcutta wherefrom only the quantities found fit for export were rebagged and despatched abroad and the rest remained in store for a long time. In the process those 818 bags of capsules were damaged during the period between June 1972 and November 1973. There was no adequate control of the Excise Department in respect of the quantity actually imported from other States and the quantity exported out of India through the port. While the orders for their destruction were issued by the Collector of Excise, in February 1974, no action was taken to realise the requisite licence fee on the quantity so stored within the State and ultimately destroyed. This resulted in loss of excise revenue of Rs.9,226.

The matter was reported to Government in August 1975; reply is awaited (May 1977).

### **OTHER TOPIC OF INTEREST**

#### **90. Fixation of tari licence fee**

The Bengal Excise Act, 1909, provides for fixation of licence fee of a shop either on the basis of consumption of intoxicants or on the basis of bids obtained in auction. The settlement of tari shops in the State is made by auction except in Calcutta, where such settlement is made on the basis of selection without auction. No guidelines for the purpose of selection of licensees and determination of licence fees were made available to audit.

In the course of audit (March 1975), it was noticed that in Calcutta, 34 tari shops were settled by the Collector of Excise during 1973-74 and licence fees were fixed. The basis on which the licence fees were fixed could not be ascertained but it was noticed that the licence fee was fixed without reference to the consumption/sale made by the shops, during the preceding year. The licence fee of a small shop having an annual consumption of 10,252 litres was fixed at Rs.15,240, while that of a big shop whose annual consumption was 87,360 litres was fixed at Rs.37,500. Had the licence fee for other shops been determined at the rate (Re.1.49 per litre) charged from the small shop, an additional revenue of Rs.8.27 lakhs could have been earned from the 34 tari shops during 1973-74.

The matter was reported to Government in August 1975; reply is awaited (May 1977).

## CHAPTER VII

**MOTOR VEHICLES TAX****91. Under-assessment of tax due to incorrect determination of registered laden weight**

Under the Bengal Motor Vehicles Rules, 1940, where the maker's document is not available the registered laden weight of a transport vehicle is to be determined by an addition of 125 per cent or 150 per cent to the unladen weight of four wheeled or six wheeled vehicle, respectively. In January 1959, Government, by an order, fixed the maximum safe laden weight of transport vehicles at 112½ per cent and 125 per cent of the gross vehicle weight as certified by the manufacturer, in respect of vehicles of 1952 and earlier models of all makes and vehicles of 1953 and later models of all makes respectively. In September 1959, Government clarified that the registered laden weight in respect of vehicle where the maker's documents was not available should be increased to 112½ per cent or 125 per cent of the registered laden weight already arrived at according to the provisions of the Bengal Motor Vehicles Rules, 1940.

In the course of audit of some of the assessment cases it was noticed that the registered laden weight of 70 transport vehicles, registered in Calcutta region between March 1974 and December 1974, had not been determined according to the order issued in September 1959, resulting in under-assessment of tax to the extent of Rs.46,483 up to 31st March, 1975. On this being pointed out in audit (May 1975), the department stated (June 1975) that no such direction was received from Government. Twenty-one more such cases of incorrect fixation of registered laden weight were also noticed in another district (Birbhum) which resulted in under-assessment of tax amounting to Rs.15,885 per annum.

(ii) The registered laden weight of a vehicle which was converted from an oil tanker into a transport vehicle in May 1964, was fixed at its gross vehicle weight certified by the manufacturer instead of at 125 per cent of such weight as required under the orders of Government of January 1959 referred to above. This resulted in under-assessment of tax amounting to Rs.7,860 up to March 1975.

All these cases were reported to Government between September 1975 and December 1975. Reply is awaited (May 1977).



## 92. Anomaly in classification of mini buses

According to the Motor Vehicles Act, 1939, contract carriage means a vehicle which carries a passenger or passengers for hire or reward, under a contract expressed or implied for the use of the vehicle as a whole, at or for a fixed or agreed rate or sum—

- (i) on a time basis whether or not with reference to any route or distance, or
- (ii) from one point to another and in either case without stopping to pick up or set down, along the line of route, passengers not included in the contract and includes a motor cab notwithstanding that the passengers may pay separate fares.

Stage carriage means a motor vehicle carrying or adapted to carry more than six persons excluding the driver which carries passengers for hire or reward at separate fares paid by or for individual passengers, either for the whole journey or for stages of the journey.

Thus, the distinction between a contract carriage and a stage carriage is that the contract carriage is engaged for the whole of the journey between two points for carriage of persons hiring it and has no right to pick up other passengers en route, while the stage carriage runs between two points and it is boarded by passengers en route who pay fare for the distance they propose to travel.

Under the Bengal Motor Vehicles Tax Act, 1932 and Bengal Motor Vehicles Rules, 1940, separate rates of road tax and permit fee have been prescribed for contract carriage and stage carriage, respectively. Mini buses plying in the region of Calcutta and districts run between two points and pick up passengers en route and accept fares for the distance they propose to travel. These buses thus fell in the category of stage carriage as defined in the Motor Vehicles Act, 1939.

In the course of audit (April and May 1976) it was noticed that 504 and 107 mini buses, which were registered in the regions of Calcutta and Burdwan, during the period May 1972 to March 1976 and April 1974 to July 1976, respectively, were classified as contract carriage for the issue of permit, and permit fees were realised accordingly at the rate of Rs.150 and Rs.100 respectively against Rs.250 and Rs.200 leviable for stage carriage. But for the purpose of levying road tax these mini buses were classified as stage carriage in Burdwan district, while in Calcutta region road tax was levied at the rate applicable to contract carriage, resulting in under-assessment of tax of Rs.5 per mini bus per month.

The total under-assessment of road tax in respect of Calcutta region during the period May 1972 to March 1976 worked out to Rs.57,600. The short collection of permit fee in the Calcutta and Burdwan regions, by treating these mini buses as contract carriages, during the period May 1972 to July 1976, worked out to Rs.61,100.

The matter was reported to Government in September 1976 ; reply is awaited (May 1977).

### 93. Short realisation of tax

Under the West Bengal Motor Vehicles Tax Rules, 1957, owners of vehicles are required to deposit such amounts of tax as are certified by the Taxing Officer to be correct with reference to the Tax Demand Register in which the amount of demand and realisation thereagainst are recorded.

In the course of audit for the year 1974-75 it was noticed (May 1975) that in as many as 130 cases, acceptance of the tax, without proper verification of demands against them, had resulted in short collection of tax to the extent of Rs.13,343.

On this being pointed out in audit (May 1975), the department stated that demand notices were being issued to realise the amount.

The matter was reported to Government in December 1975; reply is awaited (May 1977).

### 94. Non-levy of road tax

Under the Bengal Motor Vehicles Tax Act, 1932 and instructions issued by Government in August 1965, autonomous bodies|corporations are liable to pay road tax including arrears in respect of vehicles owned by them.

In two districts road tax was not levied on 10 vehicles belonging to Public Undertakings. This had resulted in non-levy of tax amounting to Rs.1.17 lakhs for various periods from January 1964 to March 1975. On this being pointed out in audit (May 1975 to August 1975), the department stated (between May 1975 and August 1975) that action was being taken to realise the tax. Further developments are awaited (May 1977).

The matter was reported to Government between February 1975 and December 1975; reply is awaited (May 1977).

### 95. **Plying of Vehicles without payment of tax**

Under the Bengal Motor Vehicles Tax Act, 1932, keeping of a motor vehicle for use without payment of tax is an offence and for this, the owner shall be punishable with a fine which may extend to one and half-times of the tax payable for the year for the motor vehicle in respect of which the offence is committed. In one region it was detected by the department that six vehicles of a transport organisation which had surrendered registration certificate for non-use of these vehicles for periods ranging from 9 months to 4 years had actually been used during the relevant period. But no action was taken by the department to levy and collect road tax as well as fine in respect of these vehicles for periods ranging between December 1973 and June 1975. This resulted in non-realisation of road tax to the extent of Rs.25,713. The maximum penalty leviable in this case worked out to Rs.38,568.

On this being pointed out in audit (August 1975), the department stated (August 1975) that necessary action was being taken. Further developments are awaited (May 1977).

The matter was reported to Government in September 1975; reply is awaited (May 1977).

### 96. **Non-levy of tax in respect of vehicles not covered by off-road declaration**

Under the Bengal Motor Vehicles Tax Act, 1932, tax shall be payable in advance by a person who keeps a motor vehicle for use, in such instalments as may be prescribed by the taxing authority.

In the course of audit of two offices it was noticed that instalments of motor vehicles tax had not been paid by owners of 44 motor vehicles during the period August 1973 to March 1976 though there was no record to indicate that the respective motor vehicles were off the road at any time during the period in question. This resulted in non-realisation of tax of Rs.68,190. On this being pointed out in audit (August 1976), the department stated (August 1976) that steps were being taken for its realisation. Further developments are awaited (May 1977).

The matter was reported to Government in September 1976; reply is awaited (May 1977).

### 97. **Non-realisation of licence fee from transport agents**

In February 1963, Government issued instructions to all transport agents, engaged in the business of collecting, forwarding or distributing goods carried by road in the State, to take requisite licence on pay-

ment of requisite licence fee. Necessary provision was inserted in the Bengal Motor Vehicles Rules, 1940. The rule could not be enforced in the State as there was no corresponding provision in the Motor Vehicles Act, 1939. The Motor Vehicles Act, 1939 was suitably amended in 1969.

It was noticed in audit (April 1976) that 106 transport agents had applied for licence in 1969. But during the period 1969 to 1975 neither any licence was issued nor any licence fee realised. On this being pointed out in audit (April 1976), the department stated (August 1976) that no directive had been received from the Government as to the yardstick to be observed to assess the eligibility of the applicant. On the basis of the prescribed licence fee of Rs.100 per annum, a licence fee of Rs.10,600 would have been recovered annually from 106 applicants from 1969. The actual number of transport agents engaged in such business in this State could not be ascertained from the records of the Transport Directorate.

The matter was reported to Government in September 1976; reply is awaited (May 1977).

**98. Non-realisation of application fee for temporary permit for stage carriage**

Under the Bengal Motor Vehicles Rules, 1940, application fee at the prescribed rate shall be realised from 25th October 1971 for renewal of temporary permits in respect of stage carriages.

In the course of test audit (July 1976) of records in a district (Nadia) for the year 1974-75 it was noticed that application fee for renewal of temporary permit in respect of 928 stage carriages during the period October 1971 and November 1975 was not realised. This resulted in loss of revenue amounting to Rs.9,280. This was pointed out in audit in July 1976.

Government, while accepting the objection, stated in July 1976 that the non-realisation of application fee in respect of temporary stage carriage permits had been occasioned by a mistaken impression that such application fee, once realised at the time of selection of candidates, need not be realised again and that suitable instructions had been issued to the District Magistrate.

## CHAPTER VIII

**OTHER TAX AND NON-TAX RECEIPTS****A. Stamp and Registration Fees****99. Non-levy of stamp duty at enhanced rates**

By a notification issued on 11th May, 1974, the rate of Stamp duty prescribed in the Indian Stamp Act, 1899, was increased on certain instruments with effect from 20th May, 1974. In the course of test check of nineteen registration offices it was noticed in audit (February and March 1976) that stamp duty at increased rate had not been levied in 534 instruments executed and registered from 20th May, 1974 to 25th May, 1974. This resulted in loss of revenue of Rs.6,675.

The matter was reported to Government between December 1975 and August 1976 ; reply is awaited (May 1977).

**100. Non-levy of surcharge on stamp duty**

Mention was made in paragraph 51 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1973-74, of the instance of non-levy of surcharge at the rate of 20 per cent on stamp duty leviable with effect from 1st November, 1972. In two registration offices, non-levy of surcharge on stamp duty in another 472 cases was noticed during the years 1972-74. This resulted in non-levy of surcharge amounting to Rs.6,314. The loss was attributed to belated receipt of the Government order.

The case was reported to Government in September 1975 ; reply is awaited (May 1977).

**101. Short levy of process fee**

(i) Mention was made in paragraph 92 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75, of 38,482 cases in which the process fee had been short realised to the extent of Rs.21,615, as the enhanced rate, which was effective from 18th February, 1971, was communicated by the Inspector General of Registration only in January 1972. It was noticed in audit that the increased rate of process fee had not been levied in another 74,813 cases also from 18-2-1971 to 18-1-1972 in 29 Registration offices. This resulted in loss of revenue to the extent of Rs.30,011.

The case was reported to Government in September 1975 ; reply is awaited (May 1977).

(ii) By another notification issued by Government on 19th August, 1974, the process fee for service of notice for transfer of holding of a raiyat was again revised from rupee one and fifty paise to rupee one and eighty paise.

In the course of test audit of thrity-six registration offices it was noticed in audit that the process fee at the revised rate had not been realised in 19,539 cases between 18th August, 1974 and September 1974. This resulted in loss of revenue to the extent of Rs.5,861.

This was reported to Government between December 1975 and August 1976 ; reply is awaited (May 1977).

## B. Taxes and Duties on Electricity

### 102. Shortfall in the number of statutory inspection of electrical installations

Mention was made in paragraph 47 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1973-74 of shortfall in the number of statutory inspections of electrical installations, resulting in safety of the installations not being ensured besides involving loss of revenue of Rs.4.62 lakhs in the form of fees leviable for the inspections. According to a statement furnished by the department (November 1975), the number of installations required to be inspected and actually inspected during 1974-75 was as under :

Nature of installations	Number to be inspected	Number inspected	Shortfall	Percentage of (4) to (2)
(1)	(2)	(3)	(4)	(5)
High and Extra High Voltage.	2,121	959	1,162	54.8
Medium Voltage ..	18,159	2,735	15,424	84.9

The shortfall in inspection involved loss of Rs.2.92 lakhs in fees. Inadequacy of staff was attributed as the reason for the shortfall of inspection. The department stated (November 1975) that sanction of Government for additional staff was awaited.

The matter was reported to Government in March 1976 ; reply is awaited (May 1977).

### 103. Non-realisation of electricity duty

*Under the Bengal Electricity Duty Act, 1935, every licensee is required to submit monthly returns of energy consumed in the prescribed forms and pay duty thereon at the prescribed rate.*

It was noticed in audit (July 1976) that in Nadia district, no electricity duty was collected and paid to the State Government by the West Bengal State Electricity Board from two of its bulk consumers although they had been consuming energy from September 1964 and May 1966, respectively. The amount of duty payable by the Board prior to 1974-75 could not be worked out in the absence of relevant records. The amount of duty for the years 1974-75 and 1975-76 worked out to Rs.99,360, on the basis of average monthly consumption of energy, available from the returns of the licensee during 1974-75.

On this being pointed out in audit (July 1976), the department agreed to refer the matter to the Board (July 1976). Further developments are awaited (May 1977).

The matter was reported to Government in September 1976 ; reply is awaited (May 1977).

### 104. Non-submission of returns

As already stated in the preceding paragraph, under the Bengal Electricity Duty Act 1935, a licensee is required to submit monthly returns of energy consumed in prescribed forms and pay duty thereon at the prescribed rate.

In the course of audit of the accounts of the Chief Electrical Inspector, West Bengal, during 1974-75 it was noticed in audit that the owners of 40 private generators were not furnishing monthly returns as prescribed in the rules. In the absence of such returns the owners of the private generators could not be assessed to duty for consumption of electricity generated by them. It was also noticed that the owners of 12 private generators discontinued submission of monthly returns as well as payment of duty since August 1973. A sum of Rs.0.49 lakh was assessed as duty against them on the basis of last monthly returns. On this being pointed out in audit (October 1975), the department stated (July 1976) that the defaulting parties were being pursued vigorously for submission of returns for assessment and collection of duty.

The matter was reported to Government in March 1976; reply is awaited (May 1977).

### 105. Short levy of surcharge

Mention was made in paragraph 46 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1973-74 of non-levy of surcharge at the rate of ten per cent on electricity duty payable on industrial power where the quantity of energy consumed for lights and fans was not metered separately but integrated with the consumption in any industrial or manufacturing process. By a notification issued in June 1974, Government enhanced the rate of surcharge from ten per cent to twenty per cent, with effect from 15th June, 1974.

In the course of audit (June 1976) it was noticed that owing to a mistake in calculation, the surcharge assessed and deposited by two licensees during the period July 1975 to October 1975 was Rs.1,23,078, instead of the correct amount of Rs.1,40,581. This resulted in short levy of duty of Rs.17,503.

The matter was reported to Government in July 1976 ; reply is awaited (May 1977).

### C. Entry Taxes

#### 106. Irregular exemption of goods entered for export

Under the Taxes on Entry of Goods into Calcutta Metropolitan Area Act, 1972 and the rules made thereunder, goods meant for immediate export may be allowed entry into the Calcutta Metropolitan Area without payment of tax subject to the condition that goods are exported direct from the place of entry in the Calcutta Metropolitan Area to the place of export. In terms of a circular issued by the department in August 1973, the proof of such export is to be submitted to the department within 60 days from the date of entry of goods into the Calcutta Metropolitan Area.

It was noticed in audit (February 1976) that goods of various descriptions valued at Rs.93,26,884 were brought into the Calcutta Metropolitan Area through a check-post by twenty-one dealers on different dates during 1974-75 for export. No proof of actual export had, however, been forwarded to the department up to March 1976. This resulted in non-realisation of tax of Rs.1,17,253. On this being pointed out in audit (February 1976), the department stated (March 1976) that the cases were being looked into. Further developments are awaited (May 1977).

The matter was reported to Government in June 1976 ; reply is awaited (May 1977).



**107. Incorrect exemption of goods entered for repairs**

Under the Taxes on Entry of Goods into Calcutta Metropolitan Area Act, 1972, goods entering into the Calcutta Metropolitan Area for repairs and subsequent despatch outside the area are exempt from tax on condition that such stay in Calcutta Metropolitan Area does not exceed 6 months.

It was noticed in audit (February 1976) that 14 dealers who brought their goods for repair into the Calcutta Metropolitan Area through a check post on various dates between April 1974 and March 1975 had not taken out the goods up to March 1976. But tax amounting to Rs.18,058, due on these goods, had not been realised from the dealers (October 1976). On this being pointed out in audit (February 1976), the department stated (March 1976) that the cases were being scrutinised. Further developments are awaited (May 1977).

The matter was reported to Government in June 1976 ; reply is awaited (May 1977).

**D. Amusement Tax****108. Irregular grant of exemption from tax**

(i) By a notification issued in June 1969, Government directed that an entertainment performance held in aid of a library is exempted from payment of amusement tax provided that the library is registered under the Registration of Societies Act, 1961 and is open to the public and that the entire amount of sale proceeds from the show without deducting any amount is credited to a separate bank account in the name of the library.

In the course of audit it was noticed that in three districts exemption from amusement tax was granted in 1974-75 in respect of entertainment performances held by fifteen clubs in aid of libraries which did not fulfil the aforesaid conditions for exemption from tax. This resulted in loss of revenue to the extent of Rs.56,955. On this being pointed out in audit (July 1975), the department stated (July 1975) that Government's notification of June 1969 had not been received.

(ii) Under the Bengal Amusement Tax Act, 1922, the Collector of the district is empowered to grant exemption from amusement tax in respect of entertainments held in aid of charitable, religious or philanthropic purposes. In two districts (Hooghly and Bankura) exemption from amusement tax was granted in 1974-75 for entertainment performance held by six organisations for the purpose of music

school, clubs and association. According to instructions issued by Government in June 1967, a charitable purpose is a public purpose and benefit to a single individual or group of individuals as represented by a sports club or a cultural association is not a public purpose. The incorrect exemption resulted in loss of revenue to the extent of Rs.36,611.

All these cases were reported to Government between December 1975 and March 1976 ; reply is awaited (May 1977).

## **E. Receipts from the West Bengal Paddy Purchase Tax Act, 1970**

### **109. Introduction**

The West Bengal Paddy Purchase Tax Act, 1970 (hereinafter referred to as the Act) imposed a tax with effect from 2nd March, 1970, after repealing the West Bengal (Tax on Paddy purchased by rice mills) Ordinance of 14th January, 1970, on all paddy purchased by the owners of rice mills at the rate of 2 per cent on purchase price, with the object of augmentation of revenue and for collecting information of and exercising control over the paddy in possession of rice mills in West Bengal. All the premises which were being used as rice mills on or before 14th January, 1970 were required to be registered under the Act within two months from the date mentioned above. The Act and the rules made thereunder prescribe the provisions in respect of registration of rice mills, submission of monthly returns by rice mill owners and the forms thereof, assessment of tax by assessing officer for each month, appeal, revision, levy of penalties for the violation of the Act and collection of tax.

### **110. Administration**

The authorities under the Bengal Finance (Sales Tax) Act, 1941, have been prescribed and appointed as authorities under the West Bengal Paddy Purchase Tax Act, 1970, for the purpose of registration of mills, assessment and collection of tax. Thus, the Act is administered by the Sales Tax Department of the State Government.

### 111. Trend of revenue

The collections of paddy purchase tax for the four years 1972-73 to 1975-76 are given below :—

			Budget estimate	Actuals
			(Rs.)	(Rs.)
1972-73	..	..	43,00,000	23,12,259
1973-74	..	..	49,00,000	18,33,665
1974-75	..	..	30,00,000	40,70,226
1975-76	..	..	30,00,000	84,19,178

### 112. Results of audit of the assessment under the Act

The working of the Act in the districts of 24-Parganas, Burdwan, Birbhum, Midnapore, Malda, West Dinajpur and Jalpaiguri was reviewed in audit. The irregularities noticed in audit may be broadly categorised under the following heads :

- (i) Non-registration of rice mills.
- (ii) Non-submission of monthly returns.
- (iii) Cancellation of registrations of rice mills without completion of assessments.
- (iv) Arrears in assessment.
- (v) Turnover escaping assessment.

The irregularities are discussed in the following paragraphs.

### 113. Non-registration of rice mills

The Act provides that no premises shall, after the enforcement of the Act, be used as rice mills unless such premises have been registered as such by owners of rice mills. The rice mills which were in existence before the enactment were allowed two months' time from 14th January, 1970 to get themselves registered under the Act. In order to ascertain the purchase of paddy by the rice mills in West Bengal on their own account, Government had prepared from time to time a statement of licensed rice mills of each district of the State on the basis of information furnished by the Controller, Food and Supplies Department of each district and forwarded it to the Government of India. The statement given below revealed that a large

number of premises to which licence had been issued for use as rice mills during the period noted against each were not registered under the West Bengal Paddy Purchase Act, 1970 :

Name of District	Year	Total number of rice mills registered under the Act	Total number of licensed rice mills as per report furnished to the Government of India by Food and Supplies Department of State Government	Total number of rice mills not registered under the Act	Remarks
1	2	3	4	5	6
24-Parganas	1970-71	25	48	23	
	1971-72	25	31	6	
	1972-73	25	29	4	
	1973-74	25	31	6	
	1974-75	25	27	2	
Burdwan ..	1970-71	117 + 7* = 124	153	29	
	1971-72	122 + 10* = 132	153	21	
	1972-73	124 + 10* = 134	153	19	
	1973-74	123 + 10* = 133	153	20	
	1974-75	125 + 10* = 135	153	18	*denotes figures of Asansol Subdivision.
Midnapore ..	1970-71	41	95	54	
	1971-72	47	95	48	
	1972-73	49	95	46	
	1973-74	52	95	43	
	1974-75	52	32	(- )20	registered in excess.

Name of District	Year	Total number of rice mills registered under the Act	Total number of licensed rice mills as per report furnished to the Government of India by Food and Supplies Department of State Government	Total number of rice mills not registered under the Act	Remarks
1	2	3	4	5	6
Birbhum ..	1970-71	70	71	1	
	1971-72	72	69	(-) 3	registered in excess.
	1972-73	73	64	(-) 9	registered in excess.
	1973-74	69	49	(-)20	registered in excess.
	1974-75	69	51	(-)18	registered in excess.
West Dinajpur and Malda.	1970-71	29	34 } 37 3 }	8	
	1971-72	29	31 } 32 1 }	3	
	1972-73	30	32 } 33 1 }	3	
	1973-74	30	27 } 29 2 }	(-) 1	registered in excess.
	1974-75	30	24 } 25 1 }	(-) 5	registered in excess.
Jalpaiguri ..	1970- 71	11	33	22	
	1971-72	11	27	16	
	1972-73	11	27.	16	
	1973-74	11	27	16	
	1974-75	12	18	6	

The table referred to above indicates that rice mills which had been purchasing paddy and milling rice as per licence issued by the Food and Supplies Department of the State Government were not registered under the West Bengal Paddy Purchase Act, 1970 and in some cases the rice mills registered under the Act had no licence for functioning as such.

#### 114. Non-submission of returns and submission of incomplete returns by rice mills owners

The Act and the rules require that each rice mill owner should submit to his assessing officer for every month a return in the prescribed form accompanied by a challan showing payment into treasury of the full amount of tax due as per his return. Such return is required to reach the assessing officer within 15 days from the expiry of each month in default of which the rice mill owner is liable to pay the penalty prescribed in the Act. In Jalpaiguri district out of 12 rice mill owners registered under the Act, seven rice mill owners had not submitted their returns up to the assessment year 1974-75, but no penal action had been taken for continued default.

Each rice mill owner is required to submit along with his return a copy or copies of his registers containing information of purchase of paddy and their despatch inside the State. Copies of these registers had not been submitted by any of the rice mill owners to the assessing officer of any of the districts under review. But no penal action had been taken in any case for submission of incomplete returns.

#### 115. Arrears in assessment

The Act required that the tax should be assessed and collected monthly. Instructions in this respect were also issued by the department in March 1971. It was, however, noticed that assessments were made annually. In respect of the districts of 24-Parganas, Midnapore, Malda, West Dinajpur and Jalpaiguri, no assessment proceeding had been initiated in respect of a single case for any period up to the year 1974-75. The number of assessments due for completion in each year and not completed till 1975-76 are shown below :—

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
24-Parganas	*	300	300	300	300	300
Midnapore ..	156	492	564	588	624	624
Malda & West Dinajpur.	216	348	348	360	360	360
Jalpaiguri ..	12	132	132	132	132	144

\*Figures not available

As no time limit had been prescribed in the Act for completion of assessment of tax, the assessments of tax in respect of those districts are in arrears.

#### **116. Turnover escaping assessment**

The rice mill owners of those districts in respect of which assessments proceedings had not yet been initiated had credited the tax into the treasury on the basis of purchase price of paddy as shown in their monthly returns. The purchase price of paddy was determined by rice mill owners at the rate of Rs.59 per quintal in respect of each year of assessment. In the course of test check of total quantity of paddy purchased by rice mill owners of some of those districts during a year with the quantity as reported to the Government of India by the State Government, it was noticed that the quantity of paddy shown as purchased by the rice mill owners of districts in their returns during a year was much less than that reported by the Food and Supplies Department to the Government of India. The details of discrepancies noticed in Malda, West Dinajpur and Jalpaiguri districts are given in the Appendix VIII wherein it would be seen that as per returns furnished by rice mill owners 18,65,705 quintals of paddy were purchased by them during the period 16th January 1970 to 1974-75 against 28,19,450 quintals reported to the Government of India by the Food and Supplies Department of the Government of West Bengal for the same period in respect of the same districts. As the assessments proceedings of paddy purchase tax had not been initiated in these districts so far, non-assessment of 9,53,835 quintals of paddy, purchased by 42 (30+12) rice mill owners of these districts, as per reports of Food and Supplies Department, based on information of the Controller of Food and Supplies of the district concerned, valued at Rs.5,62,76,255 at the rate of Rs.59 per quintal, which had not been shown in the returns submitted to the assessing officers for the purpose of assessment of tax, resulted in non-realisation of tax of Rs.11,25,525 at the statutory rate of 2 per cent as per details in Appendix VIII.

The points referred to in the foregoing paragraphs were reported to Government in September 1976 ; reply is awaited (May 1977).

**F. Forest****117. Loss of revenue due to sale of debarked pulpwood**

Mention was made in paragraph 93 of the Report of the Comptroller and Auditor General of India, on Revenue Receipts for the year 1974-75, of loss of revenue arising from weighment of logs of woods after removal of bark for the purpose of supply of pulpwood to a paper mill though the agreement made with the paper mill in this connection did not contain any stipulation as to the debarking of logs before weighment. In the course of audit (July 1975 to August 1976) it was noticed that three other paper mills entered into agreement with the department between December 1970 and January 1974 for supply of pulpwood for the three years ending between March 1974 and March 1976 at rates varying from Rs.17 to Rs.35 per metric tonnes. Debarked pulpwood, weighing 34,523.694 metric tonnes, was supplied by four forest divisions to the three paper mills during 1970-71 to 1975-76 though there was no stipulation in the agreement as to weighment of the wood after removal of the bark. This extra-contractual concession involved a reduction in the weight to the extent of 2,230.774 metric tonnes in a total supply of 34,523.694 metric tonnes of debarked pulpwood during 1970-71 to 1975-76 resulting in loss of revenue of Rs.65,131.

The cases were reported to Government between September 1975 and August 1976 ; reply is awaited (May 1977).

**118. Heavy arrears of sale proceeds of poles**

Under rural electrification programme, the West Bengal State Electricity Board placed an order on the Forest Department in July 1973, for supply of one lakh of untreated poles and two lakhs of treated poles at different rates varying between Rs.54 and Rs.108 in respect of untreated poles and between Rs.102 and Rs.108 in respect of treated poles. During the period 1973-74 to 1975-76 the Forest Department supplied 1,13,724 untreated and treated poles valued Rs.88,99,340 to the West Bengal State Electricity Board against which Rs.72,00,000 had been realised (May 1976) and the uncollected balance was Rs.16,99,340.

The matter was reported to Government (February 1976) ; reply is awaited (May 1977).

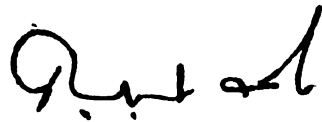


**119. Unauthorised encroachment of forest land**

In the course of audit of a forest division (February 1976) it was noticed that 10,282 acres of forest land were under unauthorised occupation for about twenty years out of which 3,121 acres were recovered subsequently up to November 1975. Owing to failure to evict the persons unauthorisedly occupying the remaining area of land of 7,161 acres, Government had to forgo revenue to the extent of Rs.14.32 lakhs which would have accrued to it by the sale of forest products. This amount had been computed by the forest division at the rate of Rs.10 per acre per year.

The matter was reported to Government in April 1976 ; reply is awaited (May 1977).

Calcutta,  
The 27<sup>th</sup> Aug 1977.



(R. K. GANGULY)  
Accountant General II,  
West Bengal

Countersigned.

New Delhi,  
The 30 Aug 1977.



(A. BAKSI)  
Comptroller and Auditor  
General of India

# **APPENDICES**

## APPENDIX I

## Additional taxation measures during 1975-76

(Reference Paragraph 3, Page 5)

Sl. No.	Name of the Act and the head of account involved	Measures taken	Date of enforcement	Anticipated additional yield in one full year
1	2	3	4	5
				<i>(In crores of rupees)</i>
1.	The Bengal Agricultural Income Tax (Amendment) Act, 1975.  Taxes on Agricultural Income.	The schedule to the Bengal Agricultural Income Tax Act has been amended by restructuring the slabs for agricultural income and the rates thereon. While agricultural income alone will be chargeable to tax, the agricultural as also the non-agricultural income of an assessee shall be taken into account for fixation of the rates of such tax. Provisions have been made for self-assessment.	1-4-1975	0.11
2.	The Indian Stamp (West Bengal Amendment) Act, 1975.  Stamps and Registration Fees.	Rates of Stamp duty on instruments under Article 23 of schedule 1A of the Stamp Act have been raised on a graduated basis.	26-5-1975	4.00
3.	The West Bengal Multistoreyed Building Tax Act, 1975.  Taxes on Immovable Property.	A property tax has been imposed on new multistoreyed buildings under the West Bengal Multistoreyed Building Tax Act, 1975.	1-7-1975	0.18
4.	Notifications Nos. 450-Ex to 458-Ex, dated 29th March 1975, issued under the Bengal Excise Act, 1909. State Excise.	Amendment of previous orders and rules, effecting enhancement of the rates of excise duty on alcoholic drinks such as whisky, brandy, rum, beer and country spirit.	1-4-1975	1.00

APPENDIX I—*contd.*

## Additional taxation measures during 1975-76

(Reference Paragraph 3, Page 5)

Sl. No.	Name of the Act and the head of account involved	Measures taken	Date of enforcement	Antioipated additional yield in one full year
1	2	3	4	5
				(In crores of rupees)
5.	(i) The West Bengal Taxation Laws (Amendment) Act, 1975.	(a) Enhancement of the rate of Sales tax on goods required directly by manufacturer in the process of manufacture of goods meant for sale.	7-4-1975	6.00
	(ii) The West Bengal Taxation Laws (Second Amendment) Act, 1975.	(b) Imposition of tax on sales to dealers registered under the West Bengal Sales Tax Act, 1954, of goods required for use by them directly in manufacturing, making, processing or packing in West Bengal, of notified commodities under that Act.		
	Sales Tax	(c) Certain items viz. dictaphone and other similar apparatus for recording sound and parts thereof and electromagnetic recording tapes, including cassette tapes, whether pre-recorded or not, have been included in schedule II to the Bengal Finance (Sales Tax) Act, 1941 for the purpose of taxation at higher rate.		
		(d) Enhancement of rate of Central Sales Tax on inter-State sales to registered dealers and to Government.	1-7-1975	10.00
		(e) Enhancement of rate of tax on inter-State sales of declared goods.	1-7-1975	0.80

APPENDIX I—*concl'd.***Additional taxation measures during 1975-76**

(Reference Paragraph 3, Page 5)

Sl. No.	Name of the Act and the head of account involved	Measures taken	Date of enforcement	Anticipated additional yield in one full year  (In crores of rupees)
1	2	3	4	5
6.	The West Bengal Taxation Laws (Amendment) Act, 1975. Other Taxes and Duties on Commodities and Services.	The West Bengal Entertainments and Luxuries (Hotels and Restaurants) Tax Act, 1972, has been amended to enhance the rate of luxury tax on air-conditioned hotels and restaurants provided with luxuries.	7-4-1975	0.01
	Section 18A of the Bengal Amusement Tax Act, 1922 read with Notification No. 3075-FT, dated 10-7-1976.	Introduction of inter-State betting on Poona races and imposition of totalisator and betting taxes and surcharge on such inter-State betting.	10-8-1975	0.10
	Other Taxes and Duties on Commodities and Services.			
			Total ..	<u>22.20</u>

## APPENDIX II

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

(Reference Paragraph 5, Page 7)

Head of account	Gross collection in 1975-76	Expenditure on collection in 1975-76	Percentage of cost of collection to gross collection		
			1975-76	1974-75	1973-74
<i>(In crores of rupees)</i>					
1. Taxes on Agricultural Income.	2.41	0.13	5.4	13.9	13.2
2. Land Revenue ..	12.96	9.99†	77.1	106.8	108.2
3. State Excise ..	26.55	1.79	6.7	6.9	6.9
4. Taxes on Vehicles ..	10.21	0.32	3.1	3.1	3.0
5. Sales Tax ..	159.12	1.19	0.7	0.9	0.9
6. Stamps and Registration Fees.	19.67	1.70	8.6	8.5	8.6
7. Taxes and Duties on Electricity.	12.83	0.20	1.6	1.1	1.4
8. Taxes on Goods and Passengers.	18.78	0.67	3.6	4.3	4.8
9. Other Taxes and Duties on Commodities and Services.	20.40	0.04	0.2	0.4	0.4
10. Taxes on Immovable Property.	0.04	(*)	6.2	..	..
Total ..	282.97	16.03	5.7	6.4	6.7

(\*) Expenditure on collection under the head "Taxes on Immovable Property" was Rs. 0.25 lakh only.

† Land Revenue Department has several administrative functions and expenditure incurred on all these functions cannot be considered as having been incurred solely for collecting revenue.

## APPENDIX III

**Statement showing certificate cases pending due to delay in taking action**

(Reference Paragraph 39, Page 54)

Sl. No.	Case No.	Amount involved	Total time lapsed in dealing with the cases (up to the date of audit, i.e., January 1976)			Remarks
			Rs.	Yrs.	Months Days	
1.	129-ST(MK) 70-71	51,657	4	5	0	Case initiated on 19-7-1971. C.T.O. was asked on 30-11-1974 for further report. Report received on 20-8-1975. No further action thereafter.
2.	130-ST(EL) 70-71	9,79,139	4	10	0	Case initiated on 15-2-1971. Last hearing on 14-2-1975. No action thereafter.
3.	132-ST(MK) 70-71	69,348	4	10	0	Case initiated on 15-2-1971. Certificate Officer came to know that Certificate Debtor was living in Punjab and decided to transfer the case to Punjab on 20-12-1974. No action thereafter.
4.	13-ST(SH) 70-71 ..	34,301	2	4	0	Case pending since 30-8-1973.
5.	101-ST(C) 70-71 ..	77,250	4	11	0	Case initiated on 7-1-1971 after the receipt of report on 17-11-1970. No action thereafter.
6.	111-ST(EL) 70-71	35,200	4	11	0	Case initiated on 18-1-1971 Kept pending since 9-7-1971 for want of some report from C.T.O. Report received on 21-7-1972. No action thereafter.

APPENDIX III—*concl.***Statement showing certificate cases pending due to delay in taking action**

(Reference Paragraph 39, Page 54)

Sl. No.	Case No.	Amount involved	Total time lapsed in dealing with the cases (up to the date of audit, i.e., January 1976)			Remarks
			Rs.	Yrs.	Months Days	
7.	118-ST(SH) 70-71	44,762	4	11	0	Case initiated on 18-1-1971. Firm closed on 16-5-1971. The case has been pending since 23-9-1974.
8.	127-ST(LR) 70-71	1,40,481	4	11	0	Case initiated on 18-1-1971. Process Server asked to serve notice on 20-8-1973. Notice served on 7-9-1973. No action thereafter.
9.	130-ST(CR) 70-71	25,973	5	0	0	Case initiated on 29-12-1970. Pending since 23-8-1974.



## APPENDIX IV

**Statement showing instances of delay in complying with orders of Certificate courts**

(Reference Paragraph 39, Page 54)

Certificate Case No.	Amounts covered by Certificate	Date of orders of the Court	Substance of the orders	Date up to which not complied
1	2	3	4	5
	Rs.			
15ST(RB)-65-66 (SR).	36,431	21-5-1973	To issue Distress Warrant and put up the case on 22-6-1973.	17-1-1975.
11ST(LR)-73-74	109	9-11-1974	To issue Distress Warrant.	22-1-1975.
19ST(LR)-73-74	428	9-11-1974	Ditto	.. 22-1-1975.
44ST(AL)-67-68	1,40,715	29-2-1968	To issue Distress Warrant and report by 18-4-1968.	All these Distress Warrants were not returned with execution report.
Ditto ..	..	2-6-1969	To issue Distress Warrant by 20-8-1968.	Ditto.
Ditto ..	..	25-2-1969	To issue Distress Warrant and report by 11-4-1969.	Ditto.
Ditto ..	..	24-5-1969	To issue Distress Warrant and report by 23-7-1969.	Ditto.
Ditto ..	..	13-9-1969	To issue Distress Warrant and report by 15-11-1969	Ditto.
Ditto ..	..	15-12-1969	To issue Distress Warrant and report by 15-2-1970.	Ditto.
Ditto ..	..	14-5-1970	To issue Distress Warrant and report by 17-7-1970.	Ditto.

APPENDIX IV—*concl'd.***Statement showing instances of delay in complying with orders of Certificate courts**

(Reference Paragraph 39, Page 54)

Certificate Case No.	Amounts covered by Certificate	Date of orders of the Court	Substance of the orders	Date up to which not complied
1	2	3	4	5
	Rs.			
44ST(AL)-67-68		25-2-1971	To issue Distress Warrant and report by 5-5-1971.	All these Distress Warrants were not returned with execution report.
Ditto ..	..	27-12-1971	To issue Distress Warrant and report by 11-3-1972.	Ditto.
Ditto ..	..	17-1-1973	To issue Distress Warrant and report by 19-4-1973.	Ditto.
69ST(AL)-58-59	1,226	21-4-1959	To issue Distress Warrant.	Not executed as the shop was closed for years together.
47ST(SL)-73-74	6,270	11-12-1973 26-3-1974 10-6-1974 2-8-1974	Ditto ..	No execution report was received till January 1975.
9ST(C)-57-58 ..	95,719	30-12-1957	Ditto ..	Not executed as the firm was closed two years ago.
68ST(SL)-70-71	9,64,500	9-1-1971 5-7-1971 2-6-1973 25-7-1974	To issue Distress Warrant and report by 16-3-1971, 18-8-1971, 31-8-1973 and 30-9-1974 respectively.	Not executed till January 1975.

**APPENDIX V**

**Delay in finalising the certificate cases**  
(Reference Paragraph 41, Page 59)

*A. Delay in assessment*

<b>Sl. No.</b>	<b>Certificate Case No. and year</b>	<b>R. C. No.</b>	<b>Period of assessment ending on</b>	<b>Date of assessment</b>	<b>Time taken</b>	<b>Yrs. months days</b>
1	226 ST(JK) 74-75	3	31-12-1967	1-2-1973	5	1 ..
	<u>JK/UR-20-71-72</u>					
2.	244 ST(JK) 74-75		31-12-1966	14-7-1972	5	6 14
	<u>JK/UR-20-69-70</u>					
3.	371 ST(SL) 74-75		Chaitra 1373 BS i.e. 14-4-1967	29-7-1969	2	3 15
	<u>SL/50B</u>					
4.	369 ST(SL) 74-75		31-12-1967	6-10-1971	3	9 6
	<u>SL/1648A/C</u>					
5.	367 ST(SL) 74-75		31-12-1966	30-3-1972	5	3 ..
	<u>SL/1648A/C</u>					

6. 364 ST(SL) 74-75	31-12-1960	19-10-1973	12	9	19
<u>SL/4227A</u>					
7. 365 ST(SL) 74-75	31-12-1962	19-10-1973	10	9	19
<u>SL/4227A</u>	..				
8. 366 ST(SL) 74-75	31-12-1963	19-10-1973	9	9	19
<u>SL/4227A</u>					
9. 166 ST(MK) 74-75	31-3-1968	5-1-1972	3	9	5
<u>MK/196A</u>					
10. 167 ST(MK) 74-75	31-3-1968	30-12-1971	3	9	..
<u>MK/1217A/C</u>					
11. 31 ST(EL) 74-75	31-12-1969	25-9-1973	3	8	25
<u>EL/96A/C</u>					
12. 24 ST(EL) 74-75	31-5-1969	17-4-1973	3	10	17
<u>EL/212A</u>					

APPENDIX V—*contd.*

**Delay in finalising the certificate cases**

(Reference Paragraph 41, Page 59)

*B.- Delay in collection*

Date of filing certificate case	Time taken from the date of assessment to the date of filing the case in Certificate Office	Date of issue of Notice by the Certificate Officer	Time taken	Total time taken	Remarks
1. 6-11-1974 ..	1 9 6	28-2-1975	3 23 7	2 --	Assessment based on best judgement and appeal rejected.
2. 14-12-1974 ..	2 5 1	28-2-1975	2 15 8	2 --	The firm closed as per Process-Server's report on 15-5-1971.
3. 7-6-1974 ..	4 10 9	24-3-1975	9 17 7	11 11	The firm closed 3 years ago as per police report on 30-12-1974. Registration Certificate cancelled on 1-2-1975.
4. 18-4-1972 ..	.. 6 13	24-3-1975	1 11 7	6 2 26	<i>Ex parte</i> assessment made on 6-10-1971.

5.	7-6-1974	..	2	2	7	24-3-1975	..	9	17	8	2	24	Original assessment made on 16-9-1970 was based on books of account.
6.	7-6-1974	..	..	7	18	24-3-1975	..	9	17	14	2	24	Original assessment was made on 16-8-1963. No trace of the dealer found. Regn. Certificate cancelled on 16-7-1973.
7.	7-6-1974	..	..	7	18	24-3-1975	..	9	17	12	2	24	Original assessment was made on 25-8-1964. No trace of the dealer found.
8.	7-6-1974	..	..	7	18	24-3-1975	..	9	17	11	2	24	Original assessment was made on 25-4-1965. No trace of the dealer found.
9.	8-2-1974	..	2	1	3	29-6-1974	..	4	21	6	2	29	Original assessment made on 5-1-1972. Appeal rejected on 12-2-1975.
		:	:	:	:	:	:						
10.	13-2-1974	..	2	1	13	29-6-1974	..	4	16	6	2	29	Original assessment made on 30-12-1971. Appeal rejected on 22-1-1975.
11.	22-1-1974	..	..	3	27	26-4-1974	..	3	4	4	3	26	Assessment was made <i>ex parte</i> . The Company closed since October 1970 due to labour trouble.
12.	22-1-1974	..	..	9	5	26-9-1974	..	8	4	5	3	26	Assessment was made <i>ex parte</i> but was set aside on 8-11-1974. No assessment made as yet.

## APPENDIX VI

## Statement showing sales taxes due from Companies under liquidation

(Reference Paragraph 42, Page 60)

No.	R. C. No.	Year of filing certificate cases	No. of cases filed	Time spent	Amount due
				(up to 1975)	
				Years	Rs.
1.	SL/1605A <hr/> 160A/SL/C	1969-70	.. 4	6	48,08,386
		1970-71	.. 2	5	
		1972-73	.. 4	3	
		Total	.. 10		
2.	SL/3562A <hr/> 1046A/SL/C	1966-67	.. 1	9	1,45,17,214
		1967-68	.. 2	8	
		1972-73	.. 9	3	
		Total	.. 12		
3.	EL/1624A <hr/> 78A/EL/C	1967-68	.. 2	8	19,73,244
		1969-70	.. 5	6	
		Total	.. 7		
4.	BH 343B	1967-68	.. 1	8	3,52,020
		1970-71	.. 4	5	
		Total	.. 5		
5.	SH/2206A <hr/> 13A/SH/C	1964-65	.. 1	11	17,85,564
		1965-66	.. 5	10	
		1966-67	.. 2	9	
		Total	.. 8		
6.	EL/1445A	1969-70	.. 1	6	1,58,825
		1970-71	.. 2	5	
		Total	.. 3		
7.	SL/3208A <hr/> 1619A/SL/C	1969-70	.. 6	6	32,07,594
8.	RB/1055A	1968-69	.. 1	7	1,13,660
		1970-71	.. 1	5	
		Total	.. 2		

APPENDIX VI—*concl'd.*

## Statement showing sales taxes due from Companies under liquidation

(Reference Paragraph 42, Page 60)

No.	R. C. No	Year of filing certificate cases	No. of cases filed	Time spent (up to 1975)		Amount due
				Years	Rs.	
9.	<u>RB/1716A</u> 1362/RB/C	1969-70	.. 2	6		68,437
10.	<u>EL/2/4A</u> 96/EL/C	1969-70	.. 2	6		1,05,305
11.	<u>MK/3169A</u> 805A/MK/C	1971-72	.. 2	4		89,308
12.	503A/CR/C	1968-69	.. 1	7		71,632
13.	<u>SL/3052A</u> 94A/SL/C	1973-74	.. 9	2		21,15,315
14.	<u>EL/3182A</u> 151A/EL/C	1970-71 1973-74 1974-75	.. 1 .. 1 .. 1	5 2 1		
		Total	.. 3			15,66,428
15.	SR/1445A	1970-71	.. 1	5		1,43,352
16.	<u>LR/464A</u> 864A/LR/C	1966-67 1970-71 1973-74	.. 3 .. 1 .. 1	9 5 2		
		Total	.. 5			29,92,390
17.	352A/EL/C	1969-70	.. 1	6		36,115
18.	MK/3546A	1969-70	.. 1	6		54,809
19.	LR/936A	1971-72	.. 1	4		31,02,937
20.	<u>EL/3384A</u>	1965-66 1967-68 1968-69	.. 1 .. 1 .. 1	10 8 7		
		Total	.. 3			11,44,216
				Total	..	<u>3,84,06,759</u>



## APPENDIX VII

## Statement showing uncollected sales tax from vested collieries

(Reference Paragraph 42 Page 61)

No.	R. C. No.	Year of filing certificate cases	No. of cases filed	Time spent	Amount involved
				(up to 1975)	
				Years	Rs.
1.	SL/352B	1967-68	.. 1	8	
		1968-69	.. 1	7	
	1875A/SL/C	1970-71	.. 1	5	
		1972-73	.. 2	3	
		1973-74	.. 4	2	
		Total	.. 9		
2.	LR/210A	1967-68	.. 2	8	
		1969-70	.. 2	6	
	655A/LR/C	1971-72	.. 2	4	
		1972-73	.. 1	3	
		Total	.. 7		
3.	LR/306A	1967-68	.. 2	8	
		1968-69	.. 2	7	
	507A/LR/C	1969-70	.. 1	6	
		1970-71	.. 1	5	
		1971-72	.. 2	4	
		1972-73	.. 2	3	
Total	.. 10		5,03,581·06		
4.	LR/305A	1967-68	.. 1	8	
		1968-69	.. 1	7	
	464A/LR/C	1969-70	.. 2	6	
		1971-72	.. 2	4	
		1972-73	.. 1	3	
Total	.. 7		4,16,237·50		
5.	37B/BH/C	1968-69	.. 2	7	
		1971-72	.. 1	4	
	Total	.. 3		2,00,254·74	

APPENDIX VII—*concl'd.***Statement showing uncollected sales tax from vested collieries**

(Reference Paragraph 42, Page 61)

No.	R. C. No.	Year of filing certificate cases	No. of cases filed	Time spent	Amount involved
				(up to 1975)	
				Years	Rs.
6.	RB/260A	1968-69	.. 2	7	
		1970-71	.. 2	5	
	1013A/RB/C	1971-72	.. 1	4	
		Total	.. 5		5,79,355.44
7.	RB/1867A	1969-70	.. 1	6	
		1972-73	.. 9	3	
	1443A/RB/C	Total	.. 10		30,06,856.18
8.	BH/4717A	1971-72	.. 2	4	1,57,241.80
	1587A/BH/C				
9.	233A/LR/C	1971-72	.. 1	4	28,141.90
10.	776A/LR/C	1972-73	.. 1	3	75,000.00
11.	EL/1779A	1968-69	.. 2	7	64,980.00
12.	CR/96A	1968-69	.. 3	7	6,23,337.50
	151A/CR/C				
13.	LR/442A	1968-69	.. 4	7	
		1969-70	.. 2	6	
		1971-72	.. 2	4	
		1972-73	.. 2	3	
	508A/LR/C	1973-74	.. 2	2	
		Total	.. 12		10,62,645.98
14.	LR/1904A	1973-74	.. 3	2	1,48,710.84
15.	LR/789A	1973-74	.. 2	2	3,82,235.10
	551A/LR/C				
16.	CR/2472A	1973-74	.. 3	2	2,11,121.86
17.	36B/BH/C	1973-74	.. 1	2	35,773.36
				Grand Total	.. 86,51,847.18

APPENDIX VIII  
**Statement showing the turnover of paddy escaping assessment of Paddy Purchase Tax**  
 (Reference Paragraph 116, Page 163)

Name of District	Year	Tax realised	Total purchase price of paddy on which tax had been paid at the rate of 2 per cent	Quantity of paddy purchased as calculated by audit at the rate of Rs. 59 per quintal as shown by the race mill owners in their returns submitted to the assessing officer	Quantity of paddy purchased as per records of Food and Supplies Department	Quantity of paddy escaped assessment	Calculation made by audit of the value of paddy at the rate of Rs. 59 per quintal which escaped assessment	Amount of tax realisable at the rate of 2 per cent
		Rs.	Rs.	Quintal	Quintal	Quintal	Rs	Rs.
West Dmejjur and Malda.	1968-70 (16th January 1970 to 31st March 1970).	67,866	33,95,300	57,513 36	W 90,100 M 180	32,766 44	19,33,219 96	38,644 38
	1970-71 .. ..	4,16,490	2,08,24,500	3,52,957 63	W 4,64,250 M 290	1,11,582 37	65,83,353 93	1,31,637-08
					90,280			
					4,64,540			
	1971-72 .. ..	5,20,178	1,60,09,900	2,71,337 29	W 6,73,370 M ..	4,02,032 71	2,37,19,929 89	4,74,398 58
					6,73,370			
	1972-73 .. ..	3,41,664	1,70,83,200	2,89,545 67	W 3,96,590 M ..	1,07,044 24	63,15,610-16	1,26,312 90
					3,96,590			

1973-74	..	2,72,450	1,36,22,500	2,30,889 83	W	2,77,000	46,110 17	27,20,500.03	54,410 00
					M	2,77,000			
1974-75	..	4,83,852	2,41,92,600	4,10,044 07	W	5,29,450	1,19,405 93	70,44,949 87	1,40,899 00
					M	5,29,450			
Total	..	19,02,500	9,51,25,000	16,12,288 14		24,31,230	8,18,941 86	4,83,17,563 84	9,66,351 24
Jalpaiguri	..	..	..	..		31,540	31,540 00	18,60,860 00	37,217 20
1970-71	..	92,586	46,29,300	78,462 71		90,450	11,987.29	7,07,250 11	14,145 00
1971-72	..	61,288	30,61,400	51,888 13		89,180	37,291 87	22,00,220 33	44,004 40
1972-73	..	20,749	10,37,450	12,499 15		32,180	19,680 85	11,61,170 15	23,223 40
1973-74	..	993	49,650	841 52		2,440	1,598 48	94,310 32	1,886 20
1974-75	..	1,29,476	64,23,000	1,09,725 60		1,42,520	32,704 40	19,34,880 22	38,697 60
Total	..	3,05,032	1,52,51,600	2,53,417 11		3,88,310	1,34,892 89	79,58,691 30	1,59,173 80
Grand Total	..	22,07,532	11,03,79,600	18,65,705 25		28,19,540	9,53,834 75	5,62,762 55	11,25,525 00

“ W ” represents West Dinajpur District.

“ M ” represents Malda District.



ERRATA

Sl. No.	Page	Para	Line	For	Read
1	2	Footnote	1st	Multistoreyed	Multi-storeyed
2	3	2(c)	15th	(-) 0.88	0.08
3	5	4(ii)	4th	crocers	crores
4	5	4(ii)	16th from bottom (Col. 5 of Item 9)	(-) 0.18	(+) 0.18
5	6	6	8th and 12th from bottom	Delete comma after 31st March and 1st April	
6	7	8	12th from bottom	Delete comma after 14th November	
7	8	9	7th	Insert comma after "it was"	
8	8	9	11th	Insert comma after "February 1975"	
9	8	10	19th	Delete comma after (i) "mention was made", (ii) "revenue receipts" and (iii) "1974-75"	
10	9	12	14th	Delete comma after "Revenue Receipts" & "1974-75"	
11	9	13	5th from bottom	Ditto.	
12	10	14	Head line	Under assessment	Under-assessment
13	10	14	10th	Delete comma after 14th November	
14	10	15	6th from bottom	Delete comma after 15th November	
15	12	19	Last	reassessment	re-assessment
16	13	22	Last	occasion	Occasions
17	16	22	13th	reassessment	re-assessment
18	17	23	1st	the	The
19	17	25	10th from bottom	declaration	declarations
20	22	32	7th	(.) stop after "recorded therefor"	
21	22	33	6th from bottom	comparsion	comparision
22	23	33	Sl. No. 3 of the table (Col. 2)	39,469	39,479
23	26	39	9th from bottom	Insert comma after "1913"	
24	27	39(a) (1)	Remarks column		(ditto)
25	29	39(a) (2)	3rd	Tribural	Tribunal
26	29	39(a) (2)	Remarks column of Sl. nos 5 & 6 of "Stay Order" Sl. no. 2 of "Set aside"	in spite	inspite
27	34	42	Last	0.87 crores	0.87 crore

Sl. No.	Page	Para	Line	For	Read
28	36	45	6th from bottom	Comptroller ad Auditor General	Comptroller and Auditor General.
29	37	45	11th, 12th, 13th & 15th	Delete comma after "January", "December" & "April"	"September", "December" & "April"
30	40	51	13th	Estate	Estates
31	40	51(1)	23rd	record or rights	record of rights
32	40	51(2)	3rd from bottom	Insert comma after "lease"	
33	41	53(ii)	6th from bottom	Report	Reports
34	41	53(ii)	4th from bottom	Insert comma after "1974-75"	
35	42	54	12th	Estate	Estates
36	44	59	9th	brought	bought
37	44	59	12th	zamindars	zamindars
38	45	60	10th	Collector's	Collectors'
39	46	62	1st	Insert comma after "cases"	
40	46	62	2nd	Insert comma after "2,040"	
41	49	64(b)	2nd	long term	long-term
42	50	64(b)	5th	Delete comma after 31st March	
43	50	64(c)	9th from bottom	Delete comma after 7th July	
44	51	64(c)	1st	Ditto.	
45	51	64(d) (v)	9th & 10th from bottom	Delete comma after "1st April" and "31st March"	
46	54	64(d) (vi)	17th	Delete comma after "January" and "March"	
47	54	64(d) (vi)	19th	Delete comma after "March"	
48	54	64(d) (vi)	Total—Rent	1,760 .03	1,761 .03
49	54	64(d) (vi)	5th from bottom	May	May 1975
50	54	64(d) (vi)	5th from bottom	Delete comma after "June"	
51	55	65	7th from bottom	Delete comma after "March"	
52	56	66	21st from bottom	Delete comma after "31st March"	
53	59	70	16th	off	of
54	59	71	6th	Insert comma after "Asansol"	
55	71	89	21st	license	licence
56	71	89	23rd	Insert comma after "person"	
57	73	91	15th	documents	document
58	73	91	14th from bottom	Delete comma after "March"	

Sl. No.	Page	Para	Line	For	Read
59	74	92	6th from bottom	Insert comma after "Rs. 100" and "respectively"	
60	78	99	4th, 6th, 9th and 10th	Delete comma after "May"	
61	78	101	6th from bottom	Delete comma after "February"	
62	80	103	3rd	Insert comma after "consumed"	
63	80	104	17th from bottom	Ditto.	
64	81	105	10th	Delete comma after "June"	
65	83	109	14th and 19th	Delete comma after "January"	
66	85	113	4th	Paddy purchase Act	Paddy Purchase Tax Act
67	87	113	4th	Ditto	Ditto
68	89	117	14th	tonnes	tonne
69	90	119	8th	accured	accrued
70	92	Appendix I	Item 3 (Col 2)	Multistoreyed	Multi-storeyed
71	98	Appendix IV	Serial 5 (Col 4)	1968	1969
72	102	Appendix V	Cols 7, 9 & 10	Yr	Yrs
73	105	Appendix VI	Total	3,84,06,759	3,84,06,751
74	108	Appendix VIII	Serial 1 (Col 5)	57,513.36	57,513.56
75	108	Appendix VIII	Serial 4 (Col 5)	2,89,545.67	2,89,545.76
76	109	Appendix VIII	Serial 3—Total (Col 9)	9,66,351.24	9,66,301.24
77	109 <sub>2</sub>	Appendix VIII	Serial 6 (Col 3)	61,288	61,228
78	109	Appendix VIII	Serial 9 (Col 4)	64,23,000	64,73,800
79	109	Ditto	Serial 10 Total— (Col 8)	79,58,891.30	79,58,891.13
80	109	Ditto	Serial 11 Grand Total (Col 8)	5,62,762.55	5,62,76,255