



सत्यमेव जयते

REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR 1977-78
(REVENUE RECEIPTS)

GOVERNMENT OF WEST BENGAL

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PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of West Bengal for the year 1977-78 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 VII set out certain cases and points of interest which came to notice during the audit of Sales Tax, Land Revenue, Motor Vehicles Tax, Other Tax Receipts, Mines and Minerals 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

1.1. Trend of revenue receipts

The total receipts of the Government of West Bengal for the year 1977-78 were Rs.699.27 crores against the anticipated receipts of Rs.747.59 crores. The total receipts during the year registered an increase of 24.34 per cent over those of 1975-76 (Rs.562.35 crores) and an increase of 12.58 per cent over those in 1976-77 (Rs.621.11 crores). Of the total receipts of Rs.699.27 crores, the State Government raised Rs.432.97 crores, of which Rs.355.10 crores represented "Tax Revenue" and Rs.77.87 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.266.30 crores.

1.2. (a) Analysis of revenue receipts

An analysis of the receipts during 1977-78 along with the corresponding figures for the preceding two years is given below :

	1975-76	1976-77	1977-78	
	(In crores of rupees)			
I. Revenue raised by the State Government				
(a) Tax revenue	282.97	316.90	355.10	
(b) Non-tax revenue	63.84	70.91	77.87	
Total ..	346.81	387.81	432.97	
II. Receipts from the Government of India				
(a) State's share of divisible Union Taxes	134.14	140.05	149.08	
(b) Grants-in-aid	81.40	93.25	117.22	
Total ..	215.54	233.30	266.30	
III. Total receipts of the State (I+II) ..	562.35	621.11	699.27	
IV. Percentage of I to III	61.7	62.4	61.9	

Receipts from the Central Government by way of the State's share of Union taxes and grants-in-aid during the year 1977-78 worked out to about 38.1 per cent of the total receipts of the State. The State's own mobilisation amounted to 61.9 per cent approximately.

(b) Tax revenue raised by the State

An analysis of the tax revenue for the year 1977-78 and for the preceding two years is given below :

	1976-76	1976-77	1977-78	(+) Increase in 1977-78 with re- ference to 1976-77
	(In crores of rupees)			
(1) Taxes on Agricultural Income ..	2.41	3.59	6.24	(+) 2.65
(2) Land Revenue	12.96	12.84	21.21	(+) 8.37
(3) State Excise	26.55	26.44	31.86	(+) 5.42
(4) Taxes on Vehicles	10.21	12.79	13.82	(+) 1.03
(5) Sales Tax	159.12	182.47	198.02	(+) 15.55
(6) Stamps and Registration Fees ..	19.67	20.95	21.11	(+) 0.16
(7) Taxes and Duties on Electricity ..	12.83	13.96	17.22	(+) 3.26
(8) Taxes on Goods and Passengers ..	18.78	24.63	24.69	(+) 0.06
(9) Other Taxes and Duties on Commodities and Services	20.40	19.02	20.51	(+) 1.49
(10) Taxes on Immovable Property* ..	0.04	0.21	0.42	(+) 0.21
Total ..	282.97	316.90	355.10	(+) 38.20
Percentage of the receipts from tax revenue to the State's own revenue receipts	81.6	81.7	82.0	(+) 0.3

The reasons for increase in receipts as reported by the departments are given below :—

Principal heads of revenue	Increase (In crores of rupees)	Remarks
(1) Taxes on Agricultural Income ..	2.65	Increase was owing to new taxation measures taken by Government and better collection.
(2) Land Revenue	8.37	Increase was mainly due to exhibition of receipts on account of royalty on coal under this head. Previously, this royalty was exhibited under "Mines and Minerals."
(3) State Excise	5.42	More receipts of duties from country spirits owing to normal growth.
(4) Sales Tax	15.55	Increase was owing to additional taxation measures from time to time.
(5) Taxes and Duties on Electricity ..	3.26	Increase was due to better collection.

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

(c) Non-tax revenue of the State

The principal sources of non-tax revenues of the State were Interest, Forests, Medical, Industries and Agriculture. An analysis of non-tax revenue under the principal sources for the year 1977-78 and the preceding two years is given below :

	1975-76	1976-77	1977-78	(+)Increase/ (-)Decrease in 1977-78 with reference to 1976-77
(In crores of rupees)				
(1) Interest	8.08	9.72	10.75	(+) 1.03
(2) Forests	6.00	7.96	8.77	(+) 0.81
(3) Medical	6.81	6.49	7.63	(+) 1.14
(4) Industries	2.57	3.72	3.96	(+) 0.24
(5) Agriculture	17.57	4.20	2.61	(-) 1.59
(6) Others	22.81	38.82	44.15	(+) 5.33
Total	63.84	70.91	77.87	(+) 6.96

The reasons for shortfall under Agriculture are awaited from Government (March 1979).

1.3. New taxation proposals

In order to augment resources during 1977-78 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 estimated at Rs.22.70 crores. But the figures of actual collection against each estimate are awaited from Government (March 1979).

1.4. Variation between the Budget estimates and the actuals

(i) The receipts compared to the Budget estimates during the three years 1975-76 to 1977-78 were as under—

	Year	Budget estimates	Actuals	Variation excess(+) shortfall(-)
(In crores of rupees)				
(A) Tax Revenue ..	1975-76	236.58	282.97	(+)46.39
	1976-77	304.40	316.90	(+)12.50
	1977-78	356.69	355.10	(-) 1.59
(B) Non-Tax Revenue ..	1975-76	59.71	63.84	(+) 4.13
	1976-77	76.51	70.91	(-) 5.60
	1977-78	107.16	77.87	(-)29.29

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

Head of revenue	Year	Budget estimates	Actuals	Variation (+) excess (-) short-fall	Percentage of variation
(1)	(2)	(3)	(4)	(5)	(6)
(In crores of rupees)					
(1) Land Revenue	1975-76	9.80	12.96	(+) 3.16	32.2
	1976-77	10.80	12.84	(+) 2.04	18.9
	1977-78	27.00	21.21	(-) 5.79	21.4
(2) State Excise	1975-76	26.50	26.55	(+) 0.05	0.2
	1976-77	26.60	26.44	(-) 0.16	0.6
	1977-78	28.00	31.86	(+) 3.86	13.8
(3) Taxes on Vehicles	1975-76	10.00	10.21	(+) 0.21	2.1
	1976-77	10.50	12.79	(+) 2.29	21.8
	1977-78	12.60	13.82	(+) 1.22	9.7
(4) Sales Tax	1975-76	125.00	159.12	(+) 34.12	27.3
	1976-77	177.00	182.47	(+) 5.47	3.1
	1977-78	204.29	198.02	(-) 6.27	3.1
(5) Stamps and Registration Fees ..	1975-76	17.75	19.67	(+) 1.92	10.8
	1976-77	23.02	20.95	(-) 2.07	9.0
	1977-78	23.20	21.11	(-) 2.09	9.0
(6) Taxes and Duties on Electricity	1975-76	14.80	12.83	(-) 1.97	13.3
	1976-77	15.25	13.96	(-) 1.29	8.5
	1977-78	17.05	17.22	(+) 0.17	1.0
(7) Taxes on Goods and Passengers	1975-76	18.00	18.78	(+) 0.78	4.3
	1976-77	22.00	24.63	(+) 2.63	11.9
	1977-78	23.15	24.69	(+) 1.54	6.7
(8) Other Taxes and Duties on Commodities and Services	1975-76	13.81	20.40	(+) 6.59	47.7
	1976-77	17.75	19.02	(+) 1.27	7.2
	1977-78	17.51	20.51	(+) 3.00	17.1
(9) Interest	1975-76	11.42	8.08	(-) 3.34	29.2
	1976-77	14.08	9.72	(-) 4.36	30.9
	1977-78	15.72	10.75	(-) 4.97	31.6
(10) Medical	1975-76	6.11	6.81	(+) 0.70	11.5
	1976-77	8.43	6.49	(-) 1.94	23.0
	1977-78	9.61	7.62	(-) 1.99	20.7
(11) Agriculture	1975-76	7.36	17.57	(+) 10.21	138.7
	1976-77	15.54	4.20	(-) 11.34	73.0
	1977-78	2.60	2.61	(+) 0.01	0.4
(12) Forests	1975-76	5.25	6.00	(+) 0.75	14.3
	1976-77	5.30	7.96	(+) 2.66	50.2
	1977-78	6.10	8.77	(+) 2.67	43.8
(13) Industries	1975-76	3.26	2.57	(-) 0.69	21.2
	1976-77	4.65	3.72	(-) 0.93	20.0
	1977-78	5.40	3.96	(-) 1.44	26.7

In the case of Land Revenue, State Excise, Other Taxes and Duties on Commodities and Services, Interest, Medical, Forests and Industries the variations were in excess of ten per cent. Effective preventive work and additional taxation measures in 1977-78 were stated to be the reasons for the variation between Budget estimate and actual under the State Excise. The reasons for variation in other cases are awaited from Government (March 1979).

1.5. Cost of collection

The expenditure incurred during 1977-78 on the collection under the principal heads of revenue and the percentage of the cost of collection to the revenues collected during three years 1975-76 to 1977-78 are given in Appendix II.

1.6. Arrears of revenue

(a) As per figures furnished by the department (February 1979) the arrears of revenue in respect of Sales tax, Other Taxes and Duties on Commodities and Services, Land Revenue and Agricultural Income Tax, pending realisation as on 31st March 1978 and as on 1st April 1977 amounted to Rs.123.69 crores and Rs.114.70 crores, respectively, as indicated below :—

	Outstanding as on	
	1st April 1977	31st March 1978
	(In crores of rupees)	
(a) Sales Tax	100.35	108.10
(b) Taxes on Entry of Goods into Local Areas Act	1.27	1.22
(c) Raw Jute Tax	0.96	0.94
(d) Paddy Purchase Tax	0.03	0.09
(e) Entertainment Betting and Luxury Tax*	0.14	0.15**
(f) Land Revenue	8.91	9.75
(g) Agricultural Income Tax	3.04	3.44
Total ..	114.70	123.69

*The figures relate to Calcutta and five adjoining Municipalities, viz., South Suburban, Garden Reach, Baranagore, Dum Dum and South Dum Dum only. The figures relating to districts are awaited (March 1979).

**Out of the total outstanding amount, Rs. 11.61 lakhs are recoverable from four hotels of Calcutta. The arrears pertain to the period ranging from July 1972 to March 1978,

(b) An analysis of the revenue pending collection as on 31st March 1978 in respect of Sales Tax as furnished by the departments is given below :

(i) **Sales Tax :** Sales tax demands raised but not collected as on 31st March 1978 amounted to Rs.108.10 crores as against Rs.100.35 crores outstanding as on 31st March 1977. The department could not furnish (March 1979) the yearwise break-up of the outstanding Sales Tax dues of Rs.108.10 crores. As reported by the department (February 1979), the amount at the end of 1972-73 was Rs.54.14 crores and it rose up to 108.10 crores at the end of 1977-78 in the following order :

Year	Outstanding balance at the end of March (In crores of rupees)
1972-73	.. 54.14
1973-74	.. 66.65
1974-75	.. 78.41
1975-76	.. 92.39
1976-77	.. 100.35
1977-78	.. 108.10

The department put forward (February 1979) the following reasons for accumulation of the outstanding dues :

“The arrear assessed dues relate to accumulation of dues over a long period from 1941 since there has practically been no write-off of arrears. A substantial amount of such arrears relates to dues covered by stay orders, dues from companies under liquidation, dues from dealers whose registration certificates are cancelled or businesses are in moribund state. Besides, there are also large dues arising out of *ex parte* assessments. Another reason which might have also attributed to the quantum of outstanding dues is the speedy disposal of assessment cases.”

Action taken by the department for realisation of the outstanding dues was stated (February 1979) to be mainly by initiating certificate proceedings against the defaulting dealers. The amount of the outstanding dues covered by certificate proceedings lying in different courts in the State could not be stated by the department (March 1979). In the certificate organisation created in March 1973 under the Directorate of Commercial Taxes 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 Alipore Certificate office, certificate proceedings covering Rs.57.82 crores of the outstanding dues were pending as on 31st March 1978.

(ii) The yearwise break-up of the outstanding amount as on 31st March 1978 had not been furnished by the departments and this fact was repeatedly mentioned in the successive Reports of the Comptroller and Auditor General of India on Revenue Receipts from 1975-76 to 1976-77. Figures of total arrears in respect of Motor Vehicles Tax, Taxes on Entry of Goods into Calcutta Metropolitan Area, State Excise, Electricity Duty and Forest are awaited (March 1979) from the respective departments of Government. Consequently, the total amount of uncollected dues, the amount covered by certificate proceedings, the collection stayed by Government, the High Court and Judicial Authorities, the present position of recovery, the possibility of recovery, checks exercised by the departments to recover the dues could not be ascertained in audit.

1.7. Arrears in assessment

The number of assessments finalised and the assessments pending finalisation at the end of 31st March 1978 and the preceding year as reported by the respective Directorates are indicated below :—

(a) Sales Tax

Year				Number of assessment for disposal	Number of assessment completed during the year	Number of assessment pending at the end of the year
1976-77	..	..	..	2,35,570	93,902	1,41,668
1977-78	..	..	..	2,34,869	92,429	1,42,240

The yearwise break-up of the pending cases as on 31st March 1978 could not be furnished by the Directorate (March 1979).

(b) Agricultural Income Tax

Year				Number of assessment for disposal	Number of assessment completed during the year	Number of assessment pending at the end of the year
1976-77	..	..	..	1,02,982	25,160	77,822
1977-78	..	..	..	1,06,352	26,520	79,832

At the present rate of disposal more than 3 years would be required to liquidate the arrears only. Special efforts to clear the arrears are therefore necessary.

The following is the yearwise break-up of the pending cases as on 31st March 1978 :

Year up to	Number of cases
1972-73	.. 214
1973-74	.. 232
1974-75	.. 12,743
1975-76	.. 18,527
1976-77	.. 22,777
1977-78	.. 25,339
	<hr/>
Total	.. 79,832

1.8 Writes-off and remissions of revenue

As per figures furnished by the department, during the year 1977-78 Rs.1,947.32 in three cases were written off by the Agricultural Income Tax Directorate.

CHAPTER II

SALES TAX

2.1. **Incorrect exemptions from payment of tax due to irregular classification of goods**

(a) **Cotton waste treated as cotton :** Sales of cotton are exempt from tax but once cotton has been subjected to the manufacturing process, a by-product resulting therefrom, viz., cotton waste, becomes a different commercial commodity and cannot be considered as cotton. Cotton waste is, thus, not exempt from tax.

In February 1955, the department had clarified that cotton waste be treated as cotton and exempted from tax. Assessments made irregularly, exempting cotton waste from the levy of sales tax, on the basis of aforesaid clarification were pointed out in four consecutive Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1973-74 to 1976-77. In the course of audit it was noticed during 1977-78 that in another 29 assessments in respect of 14 dealers, for various periods ranging between 1969 and 1976, under the Bengal Finance (Sales Tax) Act, 1941 and Central Sales Tax Act, 1956, assessed during 1973 to 1977, turnover aggregating Rs.497.82 lakhs on both intra-State and inter-State sales of cotton waste was not subjected to tax resulting in under-assessment of tax and surcharge of Rs.31.69 lakhs in the aggregate both under the State and Central Acts.

In July 1978, the department, however, revised its earlier order by issue of an instruction to levy tax on cotton waste.

The cases were reported to Government between September 1977 and October 1978; Government stated (February 1979) that the matter was under active consideration. Further development is awaited (March 1979).

(b) **Sewing thread treated as yarn :** Under the Bengal Finance (Sales Tax) Act, 1941, cotton yarn is exempted from tax. However, sewing thread is not the same commodity as cotton yarn since cotton yarn passes through some manufacturing processes before it becomes sewing thread.

In the course of audit it was noticed (August 1977) that in respect of three assessments of two dealers, under the Bengal Finance (Sales Tax) Act, 1941 and Central Sales Tax Act, 1956, for various periods between February 1973 and December 1975, made between April 1977 and December 1977, sale of sewing thread amounting to Rs.94.25 lakhs and Rs.68.53 lakhs under the

State and Central Acts, respectively, were exempted from tax, treating it as cotton yarn. This resulted in under-assessment of tax and surcharge to the extent of Rs.12.69 lakhs in the aggregate.

This had also been commented upon in paragraphs 7 and 13 of the Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1974-75 and 1975-76, respectively.

The matter was reported to Government between July 1978 and October 1978; reply is awaited (March 1979).

(c) **Woollen and cotton carpets excluded from "carpets of all varieties and descriptions"**: Under the Bengal Finance (Sales Tax) Act, 1941, sales of 'carpets of all varieties and descriptions' were taxable at 12 per cent up to March 1974 and at 15 per cent thereafter. Departmental instruction was issued in December 1968 irregularly exempting cotton and woollen carpets from tax. Government, however, clarified in September 1972 that 'all wool tufted carpets' were taxable under the Bengal Finance (Sales Tax) Act, 1941.

During 1977-78 it was noticed that in ten assessments under the Bengal Finance (Sales Tax) Act, 1941, and in three assessments under the Central Sales Tax Act, 1956, in respect of three dealers, for the periods ranging between March 1970 and March 1975, assessed between May 1973 and March 1977, exemption from tax amounting to Rs.3,96,624 in the aggregate was irregularly granted on both intra-State and inter-State sales of woollen and cotton carpets for Rs.31,33,769 and Rs.2,21,889, respectively. Similar irregularity was also commented upon in three consecutive Reports of the Comptroller and Auditor General of India for the years 1974-75 to 1976-77.

The matter was reported to Government between September 1977 and July 1978; reply is awaited (March 1979).

2.2. Irregular exemption on sales of tea

Sales of tea made at auctions held in Calcutta and Siliguri under the auspices of Tea Traders Associations to registered dealers are exempt from levy of sales tax under the Bengal Finance (Sales Tax) Act, 1941 and the rules made thereunder, provided that tea is specified in the certificate of registration of such dealers as being intended either for re-sale or for manufacture of goods for sale and that the dealer furnishes the prescribed certificates and declarations.

Mention was made in paragraphs 11 and 10 of the Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1974-75 and 1975-76, respectively, about irregular grant of exemption from levy of tax on the direct sales of tea by the tea gardens to the registered dealers, on the basis of an executive instruction issued by the department in December 1969.

During 1977-78 it was noticed in audit that similar exemption was irregularly granted in another 27 assessments (between April 1976 and March 1977) of 22 dealers, relating to various periods ranging between the years 1971 and 1975, on turnover of Rs.146.63 lakhs in the aggregate. The amount of tax (including surcharge and additional surcharge) leviable in these cases worked out to Rs.9,00,887 in the aggregate.

All the cases were reported to Government in September 1977. Government stated (February 1979) that the private sales were exempted on the basis of a departmental instruction, which was based on general principles of law relating to Agent|Principal relationship. However, to put the matter beyond doubt a provision has been incorporated by inserting Rule 3D by amendment of the Bengal Sales Tax Rules, 1941, with effect from 25th January 1977.

Under the amended rule, a dealer claiming exemption in respect of private sales through broker-member is to produce a declaration from the latter certifying that tax in respect of such sale at the appropriate rate has been deposited to Government. The lacuna in the rules leading to escapement of tax has been now removed by amendment of the rules. In the cases reported above even the declarations prescribed in the rules prior to amendment were not obtained.

2.3. Sales not subjected to tax

Under the Bengal Finance (Sales Tax) Act, 1941, as amended in November 1967, sales by a dealer in connection with, or ancillary or incidental to trade, commerce, manufacture, adventure or concern are liable to sales tax.

In the course of audit it was noticed (April-August 1978) that in the assessments of three dealers for the year ending March 1974 (in respect of two dealers) and June 1974 (for one dealer), turnover of Rs.76.94 lakhs in the aggregate, representing sale of aircraft scrap, jute carding machine and other plant and machinery were not included in the gross turnover and subjected to tax, on the ground that these sales were of casual and non-recurring in nature. But as

these sales were incidental to the nature of the business carried on by those dealers, these were taxable. Non-inclusion of these sales in the taxable turnover resulted in under-assessment of tax of Rs.4.40 lakhs (including surcharge).

When these were pointed out in audit (April 1978, June 1978 and August 1978), the department agreed (April 1978 to August 1978) to review these cases. Further developments are awaited (March 1979).

The matter was reported to Government in November 1978 and December 1978; reply is awaited (March 1979).

2.4. Short levy of tax owing to irregular deduction of escalation claims

Sales tax is levied on the sale price which is defined in the Bengal Finance (Sales Tax) Act, 1941, as the amount payable to a dealer as valuable consideration for the sale of goods. Thus, escalation claim which is nothing but amount receivable due to variation in prices, forms part of sale price.

In two assessments of a dealer for the years ending October 1971 and October 1972, made in September 1975 and 1976, Rs.37,83,720 and Rs.9,36,572, respectively, representing escalation claims, credit for which had been taken in the sales account of the respective years, were deducted from the sales figures exhibited in the audited Profit and Loss Account for the purpose of determination of taxable turnover. These irregular deductions from sales figure resulted in short levy of tax and surcharge amounting to Rs.2,68,702 in the aggregate.

On this being pointed out in audit (December 1977), the department agreed (December 1977) to re-examine the books of accounts of the dealer.

The matter was reported to Government in July 1978. Government stated (February 1979) that the dealer had been asked to produce his books of accounts for further examination. Further development is awaited (March 1979).

2.5. Incorrect computation of turnover under the Central Sales Tax Act

Under the Central Sales Tax Act, 1956, in determining the turnover of a dealer, a deduction on account of tax according to the prescribed formula is to be made from the aggregate of the sale prices but no such deduction can be made, if the amount by way of tax collected by the registered dealer has been otherwise deducted from the aggregate of sale prices.

In the assessment of a dealer for the year ending March 1973, made in February 1977, in determining the taxable turnover, deduction on account of tax was erroneously allowed although the amount of tax collected by the dealer had already been deducted from the aggregate of sale prices. This incorrect deduction resulted in under-assessment of tax amounting to Rs.45,171.

On this being pointed out in audit (August 1977), the department stated (August 1977) that the matter would be considered and appropriate steps taken. Further developments are awaited (March 1979).

When the matter was reported to Government in August 1978, Government stated (February 1979) that the matter had been referred to the appellate authority as the relevant assessment was under appeal. Further development is awaited (March 1979).

2.6. Incorrect deduction from turnover

Under the Bengal Finance (Sales Tax) Act, 1941, sales tax is charged on the amount payable to a dealer as valuable consideration for the sale of any goods, less any sum allowed as cash discount according to ordinary trade practice. No amount other than cash discount, e.g., discount or commission paid to the agents is, therefore, allowable as deduction from sale under the Act.

(i) In the assessment of a dealer, for the year ending March 1973, made in February 1977, commission and discount paid to the agents, amounting to Rs.29,69,925, were incorrectly deducted from his sale price, to arrive at the gross turnover. This resulted in under-assessment of tax and surcharge of Rs.1,71,763 in the aggregate.

The matter was reported to the department in June 1977 and to Government in September 1977. Government stated (February 1979) that the assessment had been set aside on appeal and the Audit's observation would be kept in view at the time of re-assessment. Further development is awaited (March 1979).

(ii) In another five assessments under the Bengal Finance (Sales Tax) Act, 1941, for various periods between June 1971 and March 1974, made during 1976-77 turnovers of Rs.28,64,048 representing commission/trade discount were incorrectly deducted from the gross turnovers of the dealers. This resulted in under-assessment of tax (including surcharge) of Rs.1,65,409.

The cases were reported to Government between September 1977 and July 1978; reply is awaited (March 1979).

2.7. Under-assessment on sale of socket

Under the Bengal Finance (Sales Tax) Act, 1941 and the Central Sales Tax Act, 1956, sales of unclassified goods are taxable at the general rate of six per cent up to 9th October 1977 (seven per cent thereafter) and ten per cent, respectively, unless the sales are supported by declarations in the prescribed forms from the purchasing registered dealers. Goods declared to be of special importance under the Central Sales Tax Act, 1956, are, however, taxable at a concessional rate of three per cent.

In the assessment of a dealer under both the Acts, for the year ending December 1974, made in January 1977, sales of socket of Rs.27,002 and Rs.14,97,452 under the State and Central Acts were taxed at the concessional rate of three per cent instead of at six per cent and ten per cent, respectively, by treating the item as 'declared goods'. This irregular concession resulted in under-assessment of tax and surcharge of Rs.93,381.

On this being pointed out in audit (July 1977), the department agreed to re-examine the case.

The matter was reported to Government in August 1978. Government stated (February 1979) that the assessment under the State Act had been revised and the assessment under the Central Act was being revised. Further developments are awaited (March 1979).

2.8. Incorrect classification of declared goods

Under the Bengal Finance (Sales Tax) Act, 1941, no tax is payable for sales to registered dealers, of certain categories of iron and steel classified as 'declared goods' in the Central Sales Tax Act, 1956.

In the assessment of a dealer for the period ending March 1974, made in December 1976, it was noticed in audit (May 1977) that sale of machine shaft of Rs.39,14,340 to registered dealers was exempted from tax, treating it as 'declared goods'. But the item machine shaft is not included in the list of 'declared goods' specified by the Government of India. Such irregular exemption from tax resulted in under-assessment of tax and surcharge of Rs.19,863.

The case was reported to Government in September 1977. Government stated (February 1979) that machine shaft was nothing but special steel rod simplicitor and was, therefore, an item of declared goods. Since only steel rods have been specified as declared goods in the Act and machine shaft is made from steel rod through further manufacturing process, the product cannot be treated as similar to the raw material and exempted from tax.

2.9. Irregular deduction from turnover on sale of declared goods

Under the Bengal Finance (Sales Tax) Act, 1941, deduction from turnover on sales of 'declared goods' can be allowed if tax on such goods had already been paid within the State.

In the assessment of a dealer for the year ending Kartik Bodi 2030 (1972-73) made in June 1977, sale of 'wires' of Rs.7,74,608 was deducted from the turnover on the ground that tax due was paid on the purchase of such goods by the dealer. It was, however, noticed (June 1978) that the dealer purchased 'iron rods' on payment of concessional rate of tax and manufactured 'wires' out of the said commodity and sold the wires. The manufactured commodity being quite different from the commodity purchased by the dealer, the deduction allowed on the sale of such commodity was irregular. It was also held by the Supreme Court in the case of Pyarelal Malhotra vs. State of Tamil Nadu (37 STC 319) that manufactured goods consisting of "steel rounds, flats, angles, plates, bars" or similar goods in other forms and shapes could be taxed again even if the material out of which they were made had already been subjected to sales tax once as iron and steel scrap. This resulted in under-assessment of tax of Rs.22,599.

On this being pointed out in audit (June 1978), the department agreed to review the case. Further development is awaited (March 1979).

The matter was reported to Government in November 1978; reply is awaited (March 1979).

2.10. Turnover escaping assessment of central sales tax

The assesment of a dealer under the West Bengal Sales Tax Act, 1954, for the year ending December 1973, was completed in May 1976 and inter-State sales of notified commodities assessable under the Central Sales Tax Act, 1956, was determined at Rs.1,30,057. But at the time of assessment of the same dealer for the same period under the Central Sales Tax Act, 1956, completed in May 1976, the aforesaid inter-State sales of Rs.1,30,057 were not taken into consideration. Consequently, turnover of Rs.1,30,057 was not assessed to Central Sales tax. The tax leviable in this case worked out to Rs.11,823.

On this being pointed out in audit (August 1977), the department stated (September 1977) that records of the dealer would be re-examined and the assessment revised, if necessary. Further developments are awaited (March 1979).

The matter was reported to Government in July 1978. Government stated (February 1979) that the case would be examined soon and the assessment would be reviewed, if necessary. Further development is awaited (March 1979).

2.11. Omission to include interest on hire-purchase sales 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. Interest received on hire-purchase sale should form part of the sale price and should, therefore, be included in the gross turnover.

In the assessment of a dealer for the year 1973-74, made in February 1978, interest received on hire-purchase sales of taxable commodity amounting to Rs.7,98,744 was not included in the gross turnover for the year and was, therefore, not subjected to tax leading to under-assessment of tax and surcharge of Rs.46,194 in the aggregate.

On this being pointed out in audit (May 1978), the department agreed to review the case (June 1978). Further developments are awaited (March 1979).

The matter was reported to Government in October 1978; reply is awaited (March 1979).

2.12. Absence of internal audit

An independent and fullfledged Internal Audit Wing, directly under the Head of the Department, is very useful in toning up the quality of assessment and collection work of the department. In West Bengal no internal audit is in vogue in respect of the receipts and refunds of the Sales Tax Department. The errors and omissions pointed out in the cases mentioned below in paragraphs 2.13 to 2.20 would have come to the notice of the assessing officers if a separate Internal Audit Organisation had been functioning in the department.

2.13. Under-assessment of tax on coal

Under the Bengal Finance (Sales Tax) Act, 1941, coal is an item of declared goods and on the declared goods the rate of tax had been revised from time to time. It was 2 per cent from October 1958, 3 per cent from July 1966 and 4 per cent from July 1975.

In paragraph 2.14 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1976-77 a case of over-assessment of tax on coal for Rs.31,598 was mentioned. In another assessment for the period September 1975 to April 1976, made in July 1976, turnover of Rs.12,26,554 on sale of coal was incorrectly assessed to tax at three per cent instead of at four per cent. This resulted in under-assessment of tax of Rs.11,438. This reveals that either the changes in the rates of tax were not brought to the notice of the assessing officers or these were not duly followed.

On this being pointed out in audit (August 1977), the department admitted the mistake and agreed (August 1977) to rectify the assessment. Further developments are awaited (March 1979).

The matter was reported to Government in July 1978; reply is awaited (March 1979).

2.14. Mistake in assessment

Under the Bengal Finance (Sales Tax) Act, 1941, the time limit for completion of assessment is four years.

In the course of audit it was noticed (April 1976) that an assessing officer completed (February 1976) the assessment of a dealer relating to the year ended 2029 R.N. (1972) a few days before the case was due to become time-barred. The gross turnover as per the return submitted by the dealer was Rs.28,32,149 and the entire sales were shown as inter-State sale. The assessing officer, however, assessed the gross turnover at Rs.21,00,000 (inter-State sales Rs.18,50,000, intra-State sales Rs.2,50,000). Reason for non-acceptance of the higher figure shown in the return submitted by the dealer was not recorded in the assessment order. This resulted in under-assessment of tax to the tune of Rs.74,851.

The matter was reported to Government in June 1977. Government stated (February 1979) that the case had been referred to the Revisional Authority.

2.15. Under-assessment due to inter-change of turnover

In the course of audit it was noticed that in the assessment of a dealer, made in September 1977, for the year ending September 1975, turnovers of wine of Rs.11,66,919 and foodstuff and soft drinks of Rs.6,10,711 were determined as taxable at the rate of 12 per cent and 6 per cent, respectively. But owing to interchange of turnover through oversight tax was erroneously computed at the rate of 6 per cent on Rs.11,66,919 and 12 per cent on Rs.6,10,711. This resulted in under-assessment of tax and surcharge of Rs.30,836.

On this being pointed out in audit (April 1978), the department admitted the mistake and revised the assessment. Report of realisation is awaited (March 1979).

The matter was reported to Government in November 1978; reply is awaited (March 1979).

2.16. Irregular allowance of concessional rates of tax in excess of the declarations

Under the Bengal Finance (Sales Tax) Act, 1941, the Central Sales Tax Act, 1956 and the rules made thereunder, a dealer is exempted from tax|allowed concessional rate of tax on sales on furnishing a declaration in the prescribed form obtained from the purchasing dealers in support of such sales.

(i) In an assessment under the Bengal Finance (Sales Tax) Act, 1941, for the year ending Chait Sudi 2029 (1971-72), made in December 1975, sales to registered dealers, of declared goods for Rs. 46,07,469 were exempted from tax and Rs.63,19,076 representing sales to registered manufacturers were assessed at concessional rate of tax of one per cent on the basis of declaration forms furnished by the assessee. It was, however, noticed in audit (May 1976) that out of the aforesaid amounts the dealer did not actually furnish declarations for Rs.11,83,040 and Rs.91,932 in respect of sales of declared goods to registered dealers and sales of declared goods and other goods to registered manufacturers, respectively. Thus, sales of Rs.11,83,040 were exempted from tax and sales of Rs.91,932 were assessed to tax at concessional rate without being supported by the prescribed declaration forms. This resulted in under-assessment of tax of Rs.37,298. On this being pointed out in audit (May 1976), the department admitted (May 1976) the mistake and raised (June 1976) additional demand of Rs.37,497.

The matter was reported to Government in September 1977. Government stated (February 1979) that the additional tax had been paid by the dealer in July 1976.

(ii) In four assessments under the Bengal Finance (Sales Tax) Act, 1941, for the periods ending December 1971, June 1972, September 1972 and March 1973, assessed in December 1975, June 1976, July 1976 and March 1977, respectively, the amounts for which concessional rates of tax at $\frac{1}{2}$ per cent were allowed on the basis of statements of sales by the selling dealers were in excess of the totals of the supporting declaration forms furnished by the purchasing dealers by Rs.11,17,907. Consequently, there was short

levy of tax of Rs.58,743. When this was pointed out in audit (between May 1976 and December 1977), the department accepted the objection in 3 cases (short levy of tax : Rs.48,004).

The matter was reported to Government between September 1977 and July 1978; Government stated (February 1979) that three assessments had been revised, out of which in two cases the additional demand was raised for Rs.31,621, while in the third case the dealer could produce further declaration forms for Rs.1,44,745 at the time of revision and hence, additional demand on the balance of Rs.83,255 only had been raised. Steps were being taken to revise the fourth assessment. Further development is awaited (March 1979).

2.17. Concessions allowed against irregular declarations

Under the Bengal Finance (Sales Tax) Act, 1941 and the rules made thereunder, sales to registered dealers are either not taxable or taxable at concessional rates, provided such claims are supported by declarations in the prescribed forms, obtained from the purchasing dealers. The rule also provides that no single declaration shall cover more than one transaction of sale, except in cases where the total amount covered by one declaration is equal to or less than five thousand rupees.

In the assessments of two dealers for the years ending March 1973 and March 1974, made in November 1976 and February 1977, respectively, claims for exemption and concessional rate of tax in respect of sales aggregating Rs.41,58,044 were allowed on the basis of declarations produced by them. But more than one transaction of sale was irregularly covered in single declaration. This resulted in under-assessment of tax and surcharge of Rs.94,090. The under-assessment might be attributed to non-observance of the provisions of the Act/Rules on this issue.

On this being pointed out in audit (September 1977), the department agreed to re-examine the records of the dealers. Further Developments are awaited (March 1979).

The matter was reported to Government in July 1978; reply is awaited (March 1979).

2.18. Under-assessment due to incorrect computation of tax

Under the Bengal Finance (Sales Tax) Act, 1941 and the rules made thereunder, a dealer is required to pay the tax on the basis of his return for a particular period, before furnishing such return for that period and the tax so paid by him is adjusted finally after the tax payable by him for the year has been assessed.

A few instances of under-assessment owing to incorrect computation of tax payable/paid by the dealers, are mentioned below :

(i) In the assessment of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the year ending March 1973, made in March 1977, tax payable at the varying rates of half per cent, one per cent, three per cent and six per cent, respectively, on turnovers of Rs.94,703, Rs.22,09,777, Rs.5,461 and Rs.35,44,482 was erroneously computed at Rs.2,03,479 instead of Rs.2,23,479. This resulted in under-assessment of tax and surcharge of Rs.20,400.

On this being pointed out in audit (May 1977), the department agreed (May 1977) to revise the assessment. Further developments are awaited (March 1979).

The matter was reported to Government in September 1977; Government stated (February 1979) that the dealer had preferred an appeal and the irregularities pointed out in audit would be intimated to the Appellate Authority at the time of hearing of the case. Further developments are awaited (March 1979).

(ii) In the assessment of another dealer under the Central Sales Tax Act, 1956, for the year ending March 1973, made in September 1975, the tax payable by the dealer, on a taxable turnover of Rs.93,08,543 was erroneously computed at Rs.2,76,946 instead of at Rs.2,86,946. This resulted in under-assessment of tax of Rs.10,000.

On this being pointed out in audit (May 1976), the department admitted the mistake and collected the additional tax in July 1978.

(iii) In a third case under the same Act assessed in January 1977 for the year 1972-73, Rs.2,50,264 were deducted from the gross turnover of Rs.5,05,425 towards sales of tax-free goods and sales in the course of export. After deduction, the taxable turnover was wrongly computed at Rs.1,55,161 instead of at Rs.2,55,161 resulting in under-assessment of tax of Rs.10,000.

On this being pointed out in audit (August 1977), the department agreed (August 1977) to re-examine the case.

The case was reported to Government in August 1978; Government stated (February 1979) that the case had been sent to the Revisional Authority for revision. Further development is awaited (March 1979).

2.19. Excess credit|short credit allowed to the dealers

Under the Bengal Finance (Sales Tax) Act, 1941, the tax payable by a dealer is paid by him on the basis of self-assessment. The payment of tax is a pre-condition to the furnishing of return. The quantum of tax paid along with the return is adjusted against the demand raised on the basis of regular assessment.

(a) In the course of audit it was noticed (May 1978) that in the assessment of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the year ending Kartik Bodi 2030 (1972-73) made in May 1977, the tax payable by the dealer was determined as Rs.1,02,488 and the total amount of pre-assessment payment was taken as Rs.92,636 instead of Rs.67,431 actually paid. This resulted in short levy of tax of Rs.25,205.

On this being pointed out in audit (May 1978), the department admitted the mistake and agreed (June 1978) to realise the amount. Further developments are awaited (March 1979).

The matter was reported to Government in October 1978; reply is awaited (March 1979).

(b) In the course of audit it was noticed (June 1976) that in the assessment of a dealer under the Bengal Finance (Sales Tax) Act, 1941, for the period ending March 1972, made in March 1976, the tax payable by the dealer was determined as Rs.3,23,360 and the total amount of pre-assessment payment was taken as Rs.3,33,600 instead of Rs.3,08,600 actually paid. This was due to the fact that Rs.25,000 paid by the dealer towards the Central Sales tax and already taken into account in the assessment made under that Act was again taken into account in the assessment made under the State Act and included in the sum of Rs.3,33,600. This resulted in short levy of tax of Rs.25,000.

On this being pointed out in audit (June 1976), the department admitted the mistake and agreed (June 1976) to realise the amount. Particulars of recovery are awaited (March 1979).

The matter was reported to Government in September 1977. Reply is awaited (March 1979).

(c) A dealer paid tax of Rs.5,32,098 at the time of submission of the quarterly returns for the year ending April 1973. While assessing (September 1976) the tax payable by the dealer, the payment made by him was taken as Rs.5,22,098 instead Rs.5,32,098. Consequently, there was over-assessment of tax of Rs.10,000. On this being pointed out in audit (May 1977), the department agreed (July 1977) to look into the matter.

In another case, a dealer paid tax of Rs.38,656 at the time of submission of quarterly returns for the year 2030 Chait Sudi (1973). While assessing (March 1977) the tax payable by the dealer, the payment made by him was taken as Rs.28,656. This resulted in short credit of tax of Rs.10,000 to the dealer.

On this being pointed out in audit (August 1977), the department agreed (August 1977) to take necessary action in the matter.

The cases were reported to Government between September 1977 and July 1978. In respect of the first case, Government stated (February 1979) that the matter would be referred to the Revisional Authority for disposal. Reply in respect of the second case and further developments in respect of the first case are awaited (March 1979).

2.20. Loss of revenue owing to delay in assessment

In an *ex parte* assessment under the Bengal Finance (Sales Tax) Act, 1941, for the period ending Kartika Bodi 15th, 2022 (1965), made in November 1969, the gross turnover was estimated at Rs.51,00,000 against Rs.49,88,792 returned by the dealer. Owing to non-production of his books of account, his claim for exemption from tax on Rs.47,55,273 on account of sales to registered dealers was rejected by the department. Out of the tax assessed at Rs.2,42,887 and penalty levied for Rs.5,000 the dealer paid Rs.11,121 (1965), leaving Rs.2,36,766 unpaid. On an appeal preferred by the dealer in January 1970, the assessment order was set aside in May 1970, with an instruction to make fresh assessment. For non-payment of tax of Rs.2,36,766, the case was referred to the certificate officer (May 1970) for recovery under the Public Demands Recovery Act but in view of the appellate order, the certificate proceedings were asked to be dropped in August 1970. The re-assessment was not made by May 1974 when it became time barred, although the dealer's registration was cancelled in April 1972.

On this being pointed out in audit (June 1977), the department stated (June 1977) that as the dealer was not traceable, the date up to which the dealer continued his business could not be ascertained and the "completion of this assessment was a mere formality".

The matter was reported to Government in September 1977. Government stated (February 1979) that altogether Rs.1,63,374 were recoverable from the dealer in nine certificate cases instituted between 1968-69 and 1973-74.

2.21. Non-imposition of penalty for concealment of sales

Under the Bengal Finance (Sales Tax) Act, 1941, if a registered dealer conceals any sales or furnishes incorrect particulars of his sales in the return submitted by him with intent to reduce the tax payable by him, he is liable to a penalty of a sum not exceeding one and a half times the amount of the tax which would have been avoided by him if such concealed sales or particulars thereof were not taken into account.

In two assessments of a dealer for the years ending December 1973 and 1974, made in February 1977, Rs.2,23,607 and Rs.1,09,642 were assessed as gross turnovers against Rs.31,994 and Rs.29,089, respectively, returned by the dealer. The turnovers were determined on the basis of records of the dealer, seized (May 1976) by the Department. In respect of assessment for both the years, in question, the entire gross turnovers were assessed to tax. Thus, the dealer concealed his sales to the extent of Rs.2,72,166 during the years 1973 and 1974 with intent to reduce the tax payable by him and was liable to penalty up to a maximum of Rs.23,145. But penalty proceedings were not initiated by the department (June 1978).

The matter was reported to Government in July 1978; Government stated (February 1979) that the concerned assessing officer had been directed to take proper action under the law in respect of both the assessments. Further development is awaited (March 1979).

2.22. Assessment of Sales tax on motor spirit

2.22.1. Introductory

Under the Bengal Motor Spirit Sales Taxation Act, 1941 (hereinafter called the old Act), sales tax was leviable on the volume of motor spirit sold by retail dealers. After the enactment of the West Bengal Motor Spirit Sales Tax Act, 1974 (hereinafter called the new Act), an *ad valorem* tax has become leviable with effect from 1st April 1974, on the sale of motor spirit by wholesale dealers. The retail dealers, however, continued to be liable to pay tax under the new Act, on the sale of motor spirit, out of the stock held by them at the commencement of the new Act, in respect of which no tax had been paid earlier, under the old Act. Accordingly, all provisions of the new Act relating to the submission of returns, assessments, penalties and recovery of taxes shall apply to all such sales by retail dealers.

A test check (July 1978 and August 1978) of the assessment of retail dealers registered under the old Act, in the Sales Tax Offices of 24-Parganas, Howrah, Nadia, Murshidabad and three charge offices in Calcutta, revealed the following irregularities.

2.22.2. Non-maintenance of any record of retail dealers registered under the old Act

For the purpose of proper administration of the Act and effective control over the total number of dealers of motor spirit, registered under the Act, maintenance of a register containing the names and addresses and the registration numbers of dealers is essential. None of the seven offices in question could produce for verification any record, in the prescribed form, of actual number of dealers, registered under the old Act. Consequently, the actual number of retail dealers who held stock of motor spirit, taxable under the old Act, at the time of commencement of the new Act could not be ascertained in audit.

2.22.3. Non-submission of monthly returns by retail dealers registered under the old Act

Under the new Act, every dealer, liable to pay tax, shall pay the full amount due, to the Government treasury or the Reserve Bank of India and shall submit a return in respect of each month showing the quantity sold during the month, along with a copy of the receipted challan, by the last working day of the subsequent month, failing which he is liable to pay penalty in addition to the tax due, up to a maximum of one and half times the amount of tax so assessed.

Out of 190 retail dealers' accounts checked in audit, 85 dealers did not submit any return for the periods subsequent to the period of their last assessments, ending between June 1958 and March 1974 and 6 dealers did not submit any return for the period October 1966 to March 1974 though as per returns last submitted by all these dealers, they possessed taxable motor spirit. The extent of the period of non-submission of returns is indicated below :—

Period	Number of dealer whose returns are awaited
Up to 1 year	.. 56
Up to 5 years	.. 60
Up to 10 years	.. 23
Above 10 years	.. 8
	<hr/>
	147
	<hr/>

But, for non-submission of returns for years together no enquiry was made and no penal action such as imposition of fine as contemplated in the Act was taken by the assessing officers and no reasons were also on record.

2.22.4. Delay in assessments

Under both the Acts, if no returns are furnished by a dealer in respect of any period by the prescribed date, or if the prescribed authority is not satisfied that the returns furnished are correct and complete, he shall proceed to assess to the best of his judgment the amount of the tax due from the dealer.

In the course of audit it was noticed that even though no returns were submitted by the dealers, no best judgment assessment was made by the department in any case. In 12 cases, no assessment was made ever since the dates of registration of the dealers under the old Act between March 1967 and February 1973. The closing stock of motor spirits held by these dealers as per returns last submitted by them (between June 1958 and December 1974) were as follows :—

Petrol	..	9,57,124 litres
Diesel	..	13,15,724 litres

The tax on the aforesaid quantities of motor spirits worked out to Rs.4,29,340 computed on the basis of rate of tax prevailing as on 31st March 1974. Actual liability could not be assessed as the period during which quantities of motor spirit in question were actually sold was not available with the department. As no returns for the subsequent periods were submitted by them, the question of depositing the tax on the basis of self-assessment also did not arise. As the tax is collected by the dealers from the customers, owing to delay in assessment, the dealers got some fortuitous benefit to the extent of identical amount.

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

Under the new Act, tax is leviable at 10 and 13 per cent, respectively, on the turnover of sales of petrol and diesel, since April 1974.

In the course of audit it was noticed (July-August 1978) that in 41 cases of assessments made in six sales tax offices between 1974-75 and 1977-78, tax on sales turnovers of retail dealers was levied at 9 and 11 per cent, respectively, on petrol and diesel, instead of at the effective rate of 10 and 13 per cent, respectively. This resulted in under-assessment of tax of Rs.13,329.

The points referred to in the foregoing paragraphs were reported to Government in October 1978; reply is awaited (March 1979).

CHAPTER III LAND REVENUE

Working of markets|hats under khas management of Government

3.1. Introductory

Government markets|hats in the State are managed either under direct control of Government or through settlement with an 'ijaradar'*. The Collectors of the districts are in charge of the markets|hats. Receipts from markets|hats under direct management of Government fall under the following categories :

(a) **Shop rent**

Rent in respect of stalls and shops constructed by Government.

(b) **Ijara rent (Licence fee)**

In case of land in the market licensed to shop-keepers for construction of shops thereon.

(c) **Casual Collection**

Collections from vendors who have no shops or fixed stalls and who display their goods by the road side or in the sheds.

There are twenty Government managed markets|hats in the State. Review in respect of Government markets|hats situated in two district, viz., 24-Parganas and Howrah, has revealed the following :

3.2. Trend of collection

The receipts and expenditure in respect of Government managed markets|hats under review, for three years ending March 1978 as furnished by the department are indicated below :

(In lakhs of rupees)					
Name of the market	Year	Receipts	Expenditure	Net receipt	Remarks
Orphanganj market	1975-76	4.07	1.93	2.14	Expenditure increased about 100 per cent in the course of 3 years while net revenue decreased considerably.
	1976-77	3.95	2.14	1.81	
	1977-78	4.36	3.89	0.47	
Canning market	1975-76	0.22	0.18	0.04	There had been a sharp fall of receipts in 1977-78 in comparison with that of previous one year.
	1976-77	0.27	0.19	0.08	
	1977-78	0.19	Not available		

*Ijaradar—Temporary lease holder.

(In lakhs of rupees)

Name of the market	Year	Receipts	Expendi- ture	Net receipt	Remarks
Kankinara market ..	1975-76	0.38	0.29	0.09	There had been gradual decrease in net receipts in the course of 3 years.
	1976-77	0.33	0.30	0.03	
	1977-78	0.34	0.32	0.02	
Jagaddal market ..	1975-76	0.40	0.32	0.08	Net receipt during 1977-78 registered a fall as compared to the previous two years.
	1976-77	0.35	0.23	0.12	
	1977-78	0.32	0.28	0.04	
Sree market ..	Figures not received (March 1979).				

3.3. Management of markets/hats

The management of Government markets/hats in 24-Parganas and Howrah districts had been examined in audit between February 1978 and September 1978 and the results are indicated in the succeeding paragraphs.

Government managed markets in the districts of 24-Parganas and Howrah are mentioned below :

Name of the market /hat	Area covered (in acres)	Date of commen- cement	Remarks
<i>24-Parganas (South)</i>			
Orphananj market	11.39	1871 Upto 1870 was under Bengal Military Orphan Society. 1871-1940—Under Board of Revenue, Government of Bengal. 1941-1960—Under Ministry of Works and Housing Government of India. 1960 onwards—Under Government of West Bengal.
Canning kshamahal market	0.19	1912
<i>24-Parganas (North)</i>			
Kankinara market	1.40	1952-53 Market purchased from ex-zaminder.
Jagaddal market	1.24	1952-53 Ditto.
<i>Howrah</i>			
Sree market	0.29	1958 Established by allotment of lay-out plots on Government Land on yearly licence basis.

3.4. Non-revision of rate of rents and casual collection

In the course of audit it was noticed (February 1978 to September 1978) that the rates of shop rent as well as casual collections in respect of Kankinara and Jagaddal markets were fixed 20 years back and in respect of Canning market these were fixed 30 years ago. No revision of rate of rents as well as casual collections was made despite increase in expenditure.

In case of Orphanganj market, revision of shop rates was made in April 1974 but no revision in the rates of casual collections was effected (March 1979).

3.5. Sree market

In 1955, Government decided to set up a market on vacant khas land measuring 0.29 acres adjacent to Howrah maidan, in order to rehabilitate the displaced hawkers of Howrah Station area and to provide employment facilities for the refugees coming from East Bengal, by constructing shop-stalls thereon. The work of laying out plots actually started in 1958. According to the plan of Government, each lay-out plot was of uniform size of 20 sft. The annual rent of each such lay-out plots was fixed at Rs.24. The number of lay-out plots which were ready for distribution from time to time was as follows :—

Year	Number of plots
1959	.. 109
1962	.. 204
1973	.. 222

(a) Revenue forgone owing to non-settlement of lay-out plots

It was noticed in audit (August 1978) that there was demand for the lay-out plots from public for installing shop-stalls. But out of the aforesaid lay-out plots, 82 plots were lying unsettled during the period 1959 to 1977 and 18 plots from 1973 to 1977. Consequently, on account of non-settlement of the lay-out plots revenue to the extent of Rs.0.40 lakh was forgone during the period 1959 to 1977.

On this being pointed out in audit (August 1978), the department stated (December 1978) that some of the allottees did not turn up to occupy the plots after allotment. But the fact remains that adequate steps were not taken by the department to prevent loss of revenue by re-allotment.

(b) *Unauthorised occupation of lay-out plots*

In the course of test check of records it was noticed (August 1978) that out of 222 lay-out plots, 87 were unauthorisedly occupied between 1367 B.S. and 1382 B.S. (1960-1975). This unauthorised occupation involved loss of revenue in the shape of rent to the extent of Rs.0.16 lakh calculated at the rate of Rs.24 per lay-out plot per annum. The department had already initiated eviction proceedings. The results of the proceedings are awaited (March 1979).

(c) *Revenue forgone due to non-revision of rates of rents*

Under the West Bengal Government Estates Manual, 1953, the rent payable for a short term lease should not be less than the prevailing rent for lands in the vicinity with similar advantages.

In the course of audit it was noticed (August 1978) that in Sree market, Howrah, the rate of rent in respect of a lay-out plot of land was fixed at Rs.1.20 per square foot per annum prior to 1960. In the vicinity of Sree market, Howrah, viz., Howrah Court compound, having similar advantage, the rate of rent of a plot of land per square foot per annum was revised by the Collector from Rs.1.20 to Rs.1.50 in 1967 and to Rs.3.00 in 1972-73. But revision of rent of plots of land in Sree market, Howrah, was made only with effect from April 1978.

Owing to non-revision of rates of rent in Sree market in conformity with that prevailing in the vicinity, Government had forgone Rs.0.14 lakh during the period January 1967 to March 1978 in respect of an area of 2,440 square feet,

3.6. Orphananj Market(i) *Revenue forgone owing to non-settlement of vacant land, in the market area*

In Orphananj market, an area of 19,740 square-feet had been lying vacant during the period March 1960 to March 1978. It was noticed (March 1978) in audit that Government made various attempts to settle the vacant land as indicated below :

In April 1963, Government contemplated a plan to install a fish market.

In April 1967, the Collector, 24-Parganas, proposed to settle the vacant land among public through auction.

In April 1968, the Calcutta Corporation mooted a proposal for construction of a slaughter house.

In September 1967, the department contemplated a plan for setting up a bi-weekly garment market for facilitating poor tailors of the locality. But none of the the proposed schemes materialised till date (March 1979). The reasons for failure had not been recorded anywhere.

Owing to non-settlement of land Government had forgone revenue to the extent of Rs.51.16 lakhs for 18 years from March 1960 to February 1978, calculated at the lowest rate of 0.04 paise per square foot per day at which daily rent was realised from the squatters in the market.

On this being pointed out in audit (March 1978), the department stated (December 1978) that necessary action would be taken. Further developments are awaited (March 1979).

(ii) *Unauthorised construction of pucca structures on allotted land*

As per terms of *Kabliat* agreement, no alteration of stall structures of any land adjoining thereto, can be made by the stall holders of Orphanganj market without the approval of competent authority.

A test check of tenant's ledger revealed (March 1978) that 8 stall holders made unauthorised construction of pucca godowns, 2/3 storeyed residential buildings and factories, etc., on lands allotted to them for making shops. In the course of survey (June 1977) it was noticed by the department that these unauthorised constructions were made prior to the year 1975. But no action was taken by Government against these unauthorised constructions and no revision of rent was also made (March 1979).

(iii) *Loss of revenue due to irregularities in fixation of rent and salami**

Under the West Bengal Government Estates Manual, 1953, rent of land in the case of long term lease for the first time, should be fixed at 4 per cent of the current market value of land and a salami should also be realised at 10 times the rent so fixed.

In the course of audit it was noticed (March 1978) that in Orphanganj market, 44 holdings were newly settled between 1975-76 and 1976-77 on the basis of prevailing rent without any reference to the current market value of such land. No salami was realised in respect of settlement of 22 holdings and for 17 holdings salami at

*Salami is a single payment made for the acquisition by the lessee of the right to enjoy the benefits granted to him by the lease.

3 to 6 times the prevailing rent was realised and only in respect of 5 holdings salami was realised at 10 times of such rent. Owing to non-realisation|short realisation of salami, Government sustained loss of revenue of Rs.0.14 lakh calculated on the basis of rent realised from the tenants. The actual loss of revenue on account of rent and salami could not, however, be ascertained owing to non-availability of current market value of land in the market.

(iv) *Non-recovery of occupiers' share of municipal tax in full*

Under the Calcutta Municipal Act, 1951, one half of the consolidated rate of municipal tax shall be payable by the owners and the other half by the occupiers. In Orphananj market, situated in the Calcutta Municipal area, the occupiers' share of tax had been realised at 10 per cent of the prevailing rent by the marketing authority.

In the course of review of realisation of municipal tax from tenants for four years ended in 1977-78, it was noticed that the realisation of municipal tax fell short of half of the amounts of consolidated municipal tax. From April 1977 the municipal tax was enhanced from Rs.77,432 to Rs.1,25,000. Even then, the market authority did not review the rate of realisation of municipal tax from tenants to compensate the increase in the consolidated rate of tax. Owing to non-revision of rate of municipal tax realisable from the tenants, Government had to bear an extra burden of Rs.45,735 as per details given below :—

Year	Amount of consolidated municipal tax	Amount of occupiers' share paid by Government	Amount of occupiers' share realised by Government	Amount of short-fall of occupiers' share that paid by Government
	Rs.	Rs.	Rs.	Rs.
1974-75 ..	77,582	38,791	30,065	8,726
1975-76 ..	77,432	38,716	31,617	7,099
1976-77 ..	77,432	38,716	30,089	8,627
1977-78 ..	1,25,004	62,502	41,219	21,283
				45,735

3.7. To sum up

The review brings out the following irregularities :—

- (i) Non-revision of rate of rents and casual collection for a long time—in some case the period was as long as 30 years. In the case of Sree market the amount forgone by Government owing to such non-revision was Rs.0.14 lakh.

- (ii) Non-settlement of lay-out plots and vacant land in the market area between 1959 and 1978 for which revenue forgone amounted to Rs.51.56 lakhs.
- (iii) Unauthorised occupation of lay-out plots and unauthorised construction of pucca structures on allotted land. This involved revenue to the extent of Rs.0.16 lakh.
- (iv) Irregularities in fixation of rent and salami in respect of holdings in Orphanganj market involved loss of revenue of Rs.0.14 lakh.
- (v) Non recovery of occupiers' share of municipal tax in full from tenants in Orphanganj market resulting in shortfall in realisation to the extent of Rs.45,735.

The points referred to in the foregoing paragraphs were reported to Government in July 1978 and October 1978; reply is awaited (March 1979).

Management and Collection of Revenue of Sairati Interests

3.8. Introductory

'Sairati interest' denotes revenue received by Government by leasing out fisheries, ferries, market places (hat), etc., owned by Government as well as those vested in the State owing to abolition of Zamindari system. Such receipts form a regular source of revenue to the State and are accounted for under the detailed head of account "Collection from Sairati Interests (e.g. Fisheries, Ferries, etc.)" subordinate to the major head "Land Revenue".

A few typical instances of loss of revenue owing to non-settlement and delay in settlement of Sairati interests, inaction in removal of unauthorised occupation and realisation of outstanding dues noticed (between December 1976 and February 1978) in the course of audit of land reforms offices are described in the subsequent paragraphs.

3.9. Revenue forgone owing to delay in settlement and non-settlement of Sairati interests

Following Sairati interests had been settled previously but were not leased out in subsequent years during the period April 1975 to April 1977. Owing to non-settlement of the interests during the aforesaid period, Government had to forgo revenue of Rs.44,532 (as

per details given below), calculated at the rate of last lease rent from these interests.

District	Nature and number of interests		Revenue involved Rs.
Howrah	Fishery	42	32,583
	Ferry	1	
	Hat	1	
Midnapore (East Zone)	Fishery	220	11,949
	Ferry	4	
	Hat	2	
	Others	16	

While no reason for non-settlement of the interests was available from Midnapore office, the Howrah office stated (February 1978) that owing to absence of bidders and opposition of the local people, the interests could not be settled.

3.10. Irregularities in settlement of a ferry

In the course of audit it was noticed (January 1978) that 'Hasnabad ferry' under Hasnabad Land Reforms Circle of 24-Parganas district, was leased out to a co-operative society for a period of one year from 15th June 1973 for Rs.55,500. The society was stated to have paid Rs.36,500 leaving an uncollected balance of Rs.19,000. After expiry of the currency of the lease no attempt was made for settlement of the ferry through auction. Though the society was a defaulter in respect of the previous year, the ferry was again settled with them at a daily rent of Rs.100 and it was under their possession till 20th November 1974. During this period, Rs.10,800 could only be realised from them leaving a balance of Rs.5,100. In an auction held on 20th November 1974, the interest was settled again with the same defaulting society who happened to be the highest bidder at Rs.71,200 for a period of one year from 21st November 1974. The Board of Revenue ordered (September 1974) that the society might be permitted to participate provided they cleared the dues before auction. They were, however, allowed by the Additional District Magistrate to participate and the ferry was settled with them though the dues were not cleared. This time also the society paid only Rs.34,656 leaving a balance of Rs.36,544. The ferry was not settled with anybody during the period 21st November 1975 to 4th December 1975 and was under unauthorised occupation of the society, resulting in loss of revenue of Rs.2,800 reckoned at the rate of Rs.200 per day. The ferry was brought under Government possession on 5th December 1975 and handed over to a private individual for management up to 8th December 1975 at Rs.200 per day. The ferry was again handed over on 9th December 1975 to the same society at Rs.205 per day. They continued up to 17th December 1975 and thereafter surrendered the interest. Total dues recoverable from the society for different periods between 15th June 1973 and 20th November 1975 was Rs.60,644, for recovery of which a certificate case was initiated in June 1977. Further developments are awaited (March 1979).

The ferry was taken under Government management on 18th December 1975 and was handed over to another private individual by negotiation till 19th December 1976 at a daily rent of Rs.125. For this period, Rs.41,000 was still (March 1979) to be recovered from the party. Neither any action was taken for settlement of the ferry during the period 18th December 1975 to 19th December 1976 through auction nor the aforesaid arrangement was communicated to the Board of Revenue for approval.

3.11. Non-recovery of dues and non-removal of unauthorised occupation

In the course of audit it was noticed (January 1978) that the 'Barasat hat' in Barasat-I Land Reforms Circle of 24-Parganas district, was leased out to the Barasat Municipality in 1368 B.S. (1961-62) for four years at an annual rent of Rs.2,000 with the condition of renewal from year to year. After expiry of the lease (April 1966), no action was taken (October 1978) for renewal of the lease on the basis of current valuation of the land. The Municipality did not pay any amount since 1373 B.S. (1976-77) for occupying the land and no legal action was also taken (October 1978) for realisation of the dues amounting to Rs.24,000 (1373 B.S. to 1384 B.S.). No action was also taken (October 1978) for removal of the unauthorised occupation. The Additional District Magistrate (Land Reforms), 24-Parganas, instructed (September 1978) to initiate proposal for settlement of the land with the Municipality from 1385 B.S. (1978-79) onwards on the basis of present valuation of the land. Consequently, Government would be deprived of enhanced lease rent on the basis of prevailing valuation of land during the years 1373 B.S. to 1384 B.S. (April 1966 to April 1977).

3.12. Non-settlement of tank fisheries

In the course of audit it was noticed (November-December 1976) that the Additional District Magistrate, Malda, suspended leasing out of 386 tank fisheries in three land reforms circles of the district for 1383 B.S. (April 1976 to April 1977) on the basis of a decision (February 1976) of the District Planning Committee that the tanks would be taken over by Government for pisciculture and irrigation. As the decision of the committee was not implemented, the Additional District Magistrate issued orders (December 1976) to lease out the tanks from 1384 B.S. (April 1977-April 1978). The non-leasing of 313 tanks in Gazole and Bamangola circles, resulted in loss of revenue of Rs.9,872 calculated on the basis of economic rent for the tanks fixed by the district authorities. Information regarding the remaining 73 tanks in Habibpur circle was not made available to audit.

3.13. To sum up

The review on 'Sairati interests' highlights the following irregularities :

- (i) Inordinate delay in settlement and non-settlement of 'Sairati interests' resulting in loss of revenue of Rs.2.65 lakhs.
- (ii) Non-settlement of 'Sairati interests' causing loss of revenue of Rs.0.45 lakh.
- (iii) Irregular settlement of Hasnabad ferry involving outstanding revenue of Rs.1.02 lakhs for the period June 1973 to December 1976.
- (iv) Non-recovery of lease rent of Rs.0.24 lakh, of Barasat hat and no action taken for either renewal of lease or fresh settlement after removal of unauthorised occupation.
- (v) Non-leasing of 313 tank fisheries in Malda district, resulted in loss of revenue of Rs.0.10 lakh.

The points referred to in the foregoing paragraphs were reported to Government between June 1978 and October 1978; reply is awaited (March 1979).

3.14. Non-recovery of increased rent

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

In the course of audit (February 1977 to February 1978) of 26 circles of 4 districts pertaining to the period 1379 B.S. to 1383 B.S. (1972-73 to 1976-77), it was noticed that rent in respect of irrigated area was recovered on the basis of twice the rate instead of thrice the rate as obtaining at the end of 1378 B.S. Consequently, there was non-levy of increased rent to the extent of Rs.3,09,597. The mistakes might be attributed to non-observance of the prescribed rules by the Tahsildars. In the absence of any internal audit, the department had also no means to detect these errors of omission and commission.

On this being pointed out in audit (between February 1977 and February 1978), the department agreed to recover the increased rent. Further developments are awaited (March 1979).

The matter was reported to Government between June 1978 and September 1978; reply is awaited (March 1979).

3.15. Delay in auction of timber

Under the West Bengal Government Estates Manual, 1953, sale proceeds of fallen timber in 'Khas' (Government owned) land are classed as miscellaneous receipt of the Land Revenue Department. There is neither any prescribed procedure to ascertain that certain trees in the "Khas" land have become dry nor any specific rule for the disposal of these dry trees.

In the course of audit it was noticed (February 1977) that a proposal for auction sale of 132 dry and half-dry sal trees measuring 5035.50 cft lying at Samuktala Mouza under Alipurduar-II Land Reforms Circle in the Jalpaiguri District, was initiated and forwarded to the Sub-Divisional Officer, Alipurduar, for approval in January 1974. The Sub-Divisional Officer, Alipurduar, desired (March 1974) a complete census and marking of the trees before holding the auction. No action was taken thereafter and in June 1975, the Amin of the circle office reported that there was no existence of the trees proposed to be auctioned. The proposal for auction was finally dropped by the Land Reforms Circle Officer in June 1975 and a complaint was lodged (February 1977) with the police regarding the alleged theft of the timber. The delay in taking action to dispose of the timber resulted in loss of revenue amounting to Rs.28,753 calculated on the basis of the Schedule of rates of the forest division of the same locality. No responsibility for this loss was also fixed by the department (March 1979).

The matter was reported to Government in July 1977; reply is awaited (March 1979).

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

Under the West Bengal Land Reforms Act, 1955, raiyats of rent-free lands are to pay rent, with effect from 14th April 1955, at such rates as may be determined by the Revenue Officer with reference to rent prevailing on lands of similar description and with similar advantages of the vicinity.

In the course of audit it was noticed (December 1977 to February 1978) that in 17 circles in 3 districts, rent had not been determined in respect of 26,831.61 acres of land by the Revenue Officers during the period over 23 years from April 1955.

This resulted in non-recovery of rent to the extent of Rs.41.16 lakhs calculated at the average rate of rent in the concerned mouzas for the period April 1955 to March 1977 (1362 B.S. to 1383 B.S.).

On this being pointed out (December 1977 to February 1978), in audit, the department stated (December 1977 to February 1978) that rent on rent-free land had not yet been determined by the Revenue Officer. Further developments are awaited (March 1979).

The matter was reported to Government between July 1978 and September 1978; reply is awaited (March 1979).

3.17. Non-realisation of public works, road cess and education cess

Under the West Bengal Land Reforms Act, 1955, a raiyat holding land not exceeding 1.214 hectares (3 acres) is exempted from payment of land revenue in respect of his holding with effect from 1st Baisakh 1376 B.S. (14th April 1969). Such exemption is not, however, admissible in respect of Public Works Cess, Road Cess and Education Cess which are payable by such raiyats under the Cess Act IX of 1880 and Act VII of 1930.

Mention was made in paragraph 38 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1974-75 of non-realisation of Public Works Cess, Road Cess and Education Cess from raiyats holding land not exceeding 1.214 hectares (3 acres).

In the course of audit (March 1978) it was noticed that in another 28 circles in two districts (Bankura and Burdwan), cesses amounting to Rs.6,88,938 were not realised during 1376 B.S. to 1383 B.S. (14th April 1969 to 13th April 1977). On this being pointed out in audit (between November 1977 and January 1978), the department agreed to realise the cess. Further developments are awaited (March 1979).

The matter was reported to Government between August and September 1978; reply is awaited (March 1979).

Public Works Cess, levied under the Bengal Cess Act, 1880, is collected along with land revenue. The rate of this cess was enhanced 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 it was noticed (August 1977) that in 3 circles in Nadia district, Public Works Cess had not been realised at the enhanced rate during 1381 B.S. to 1383 B.S. (14th April 1974 to 13th April 1977) resulting in short recovery of Rs.1,17,306.

In the absence of any internal audit wing under the department, the omission to levy cesses for years together and the levy of cesses at incorrect rate remained undetected.

The matter was reported to Government between June 1978 and September 1978; reply is awaited (March 1979).

3.18. Loss of revenue due to non-settlement of part-vested tanks

Under the West Bengal Estates Acquisition Act, 1953, all estates and rights of intermediaries, raiyats and under-raiyats (except certain lands, subject to ceilings prescribed in the Act, allowed to be retained by them as direct tenants of the State) vested in the State from 1362 B.S. (15th April 1955) in the case of intermediaries and 1363 B.S. (10th April 1956) in the case of raiyats and under-raiyats.

In view of difficulties experienced by Government in settling the tanks as fisheries, parts of which were vested, it was decided by the Board of Revenue after expiry of twenty years, in April 1976 that such tanks should be settled on long term basis with the owners retaining some portions of the tanks according to the provisions of the West Bengal Government Estates Manual, 1953, and proposals in this respect should be submitted to the Board of Revenue through the concerned Divisional Commissioner.

In the course of audit (December 1977 to February 1978) it was noticed that in six circles in a district 93 partly vested tanks measuring 103.27 acres had not been settled on long term basis.

This non-settlement involved rent at the rate of Rs.9,966 per annum and salami of Rs.99,661, computed on the basis of 40 per cent and 4 per cent, respectively, of the prevailing market value as worked out by the department.

On this being pointed out in audit (December 1977 to February 1978), the department stated (December 1977 to February 1978) that action was being taken. Further developments are awaited (March 1979).

The matter was reported to Government in September 1978; reply is awaited (March 1979).

3.19. Revenue forgone due to non-renewal of lease

Under the West Bengal Government Estates Manual, 1953, in case of renewal of long term lease, the rent should be fixed at 4 per cent of the market value of the land prevailing at the time of renewal.

It was noticed (December 1977) in audit in Burdwan district that the lease for twenty years in respect of a piece of non-agricultural land measuring 152.73 acres had expired on 13th October 1962. The lessee applied for renewal of lease on fresh terms on 28th April 1961 and again on 20th September 1975, but no action was taken by

the Board of Revenue. Pending renewal of the lease, the lessee was paying rent at old lease rate of Rs.6,944 which was enhanced to Rs.7,598 from 1372 B.S. (April 1965) under the West Bengal Non-Agricultural Tenancy Act, 1949. According to the department, the present valuation of the land was between Rs.3,000 and Rs.6,000 per acre. On the basis of minimum valuation, the annual rent of the plot of land worked out to Rs.18,327 reckoned at the rate of 4 per cent of the minimum valuation of Rs.3,000 per acre. As a result of non-renewal of the lease, Government had to forego rent to the extent of Rs.1,66,828 for 15 years up to October 1977. Evidently, there was no effective system to ensure renewal of all leases immediately after the expiry of the tenure of the old lease. The matter was reported to Government in September 1978; reply is awaited (March 1979).

3.20. Non-levy of surcharge and rural employment cess

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

In the course of audit (December 1977 to February 1978) it was noticed in 33 circles in Burdwan district that surcharge and rural employment cess had been levied and realised with effect from 1383 B.S. (from 14th April 1976) instead of 1st April 1976, resulting in non-realisation of surcharge of Rs.50,603 and rural employment cess of Rs.61,582 pertaining to the period 1st April to 13th April 1976.

The matter was reported to Government in September 1978; reply is awaited (March 1979).

3.21. Irregularities in settlement of Government land

Under the West Bengal Government Estates Manual, 1953, the following procedures are to be followed in the settlement of Government-owned non-agricultural land on long term leases :—

- (i) the Collector of the district is first required to fix the annual rent and the salami payable in respect of the land to be leased out;

- (ii) the annual rent is to be fixed at four per cent of the market value of the land and salami at ten times the rent;
- (iii) the market value of the land is to be fixed at its sale price, estimated from the records of recent sales of similar lands in the neighbourhood. The figures as obtained from the registration offices are to be checked against the valuation in land acquisition cases, made in the locality;
- (iv) after determination of the rent and salami, the Collector is required to invite applications for settlement of the land and send them to the Board of Revenue with his recommendation through the Commissioner;
- (v) all initial settlements on long term leases are to be made by the Collector with the approval of the Board of Revenue;
- (vi) settlements are to be made under registered leases in standard forms prescribed in the Manual.

2. In the course of audit it was noticed (December 1975, February 1976 and March 1977) that an area measuring 13.58 acres of vested land in Bediapara mouza under Kharda Land Reforms Circle (24-Parganas district), was taken over by the Board of Revenue and settled by them in 1969, excluding 0.66 acre without complying with any of the provisions of the Manual mentioned above. No orders of Government, granting exemption from the operation of the rules, were obtained.

3. The market value of the land, situated in close proximity of Calcutta City, was assessed by the Board of Revenue at Rs.700 per *cottah*, on the basis of "information of transaction in the locality", but no recorded evidence in this regard was made available to audit (March 1977).

4. On the basis of the market value fixed by the department, the annual rent and salami payable in respect of the settled land of 12.92 acres was Rs.21,706 and Rs.2,17,060, respectively. The total amount of rent realisable from the date of settlement (1969) till March 1977 worked out to Rs.1,73,648 (21,706×8). Neither was any action taken for determination of the rent nor was any demand raised (March 1977) for realisation of the dues. Against Rs.2,17,060 realisable towards salami, Rs.68,250 were only realised leaving a balance of Rs.1,48,810 still to be realised (March 1979).

The matter was referred to Government in January 1977; reply is awaited (March 1977).

3.22. Non-realisation and short-realisation of rent and cess due to defective maintenance of Register

Under West Bengal Government Estates Manual, 1953, Tenants' Ledger indicating name of the tenants, annual demand of rent and cesses should be noted from rent roll.

In the course of cross verification of Tenants' ledger with the rent roll in 8 circle offices in Bankura district, it was noticed in audit (February 1978) that in 120 cases there was omission to raise demand of rent and in 50 cases demand was raised for a lesser amount. This resulted in non-realisation|short realisation of rent and cess to the tune of Rs.24,373 during the period 1362 B.S. to 1383 B.S. (1955-1976). In the absence of any system of internal audit in respect of land revenue receipts, the errors of omission remained undetected.

On this being pointed out in audit (February 1978), the department agreed (February 1978) to recover the amount. Further developments are awaited (March 1979).

The matter was reported to Government (August 1978); reply is awaited (March 1979).

3.23. Non-assessment of betterment levy

Under the Bengal Development Act, 1935, Government by notification declares notified areas for the purpose of imposition of betterment levy and also imposes the levy on those areas from such date as may be notified after it has been satisfied that a notified area has been benefited or is likely to be benefited from an improvement work.

In the course of audit it was noticed (December 1977) that area admeasuring 4,315.50 acres of land was brought under irrigation in 17 newly irrigated mouzas in 1972-73 and 1973-74 by an Irrigation Division under the Mayurakshi Reservoir Project. Though the required irrigation plan was sent to the Revenue Division during March 1973 to May 1974 for the purpose of assessment of the betterment levy, the area was not declared as notified area under the Act. Owing to non-issue of notification for years together, betterment levy to the extent of Rs.43,155 computed on the basis of the prescribed rate of Rs.10 per acre was not collected (July 1978). Evidently, the department had no means to detect such omissions. On this being pointed out in audit (December 1977), the department confirmed (July 1978) the position.

The matter was reported to Government in May 1978; reply is awaited (March 1979).

CHAPTER IV

MOTOR VEHICLES TAX

4.1. Short levy of road tax on 'Ambassador' taxis

Under the Bengal Motor Vehicles Tax Act, 1932, road tax on vehicles for carrying passengers plying for hire is leviable on the basis of seating capacity of such vehicles. On 29th July 1975, Government decided to allow all 'Ambassador' cars used as taxis to carry five passengers instead of four. Consequently, road tax of Rs.360 is leviable annually against Rs.300 on such taxis.

In the course of audit it was noticed (October 1977) that in two regions tax at the enhanced rate was not realised with effect from 29th July 1975. This resulted in short levy of tax of Rs.10.49 lakhs in respect of 6,864 such taxis for the period 1st August 1975 to 30th September 1978. On this being pointed out in audit (October 1977), the department stated (October 1977) that necessary action was being taken. Further developments are awaited (March 1979). Even though there was an internal audit organisation under the department, these mistakes owing to levy of tax at the pre-revised rate remained undetected.

The matter was reported to Government in July 1978. Government stated (March 1979) that the taxing officers had been instructed to realise the tax short levied including the arrears. Particulars of collection are awaited (May 1979).

4.2. Short realisation of tax due to non-revision of Registered Laden Weight of vehicles coming from other States

Under the Bengal Motor Vehicles Rules, 1940, the registering authority shall revise the registered laden weight of transport vehicles coming from other States on change of address where the makers' document is not available in accordance with the registered laden weight assigned to vehicles of same make, model and wheel base in West Bengal.

In the course of audit of one region it was noticed (August 1977) that the registered laden weight of five such transport vehicles was not revised accordingly. This resulted in short realisation of road tax of Rs.19,828 for the period May 1976 to March 1977. The short levy might be attributed to non-observance of the prescribed procedure by the registering authority.

On this being pointed out in audit (August 1977), the department stated (August 1977) that necessary action was being taken. Further developments are awaited (March 1979).

The matter was reported to Government in May 1978; reply is awaited (March 1979).

4.3. Non-realisation of additional surcharge on motor vehicles

By an amendment in the Bengal Motor Vehicles Tax Act, 1932, an additional surcharge at the rate of thirty per cent of the aggregate amount of road tax and surcharge payable was imposed from May 1976, on motor cars carrying passengers not plying for hire, owned by a company, registered under the Companies Act, 1956.

In the course of audit of the Regional Transport Office of Hooghly district, it was noticed (October 1977) that during the period May 1976 to August 1977, 17,751 motor cars of a company, registered under the Companies Act, 1956, were temporarily registered for a month by the Regional Transport Authority for which the tax and surcharge payable were paid by the Company. But the additional surcharge payable was not demanded and realised for any of the motor cars in question. The assessing officer was not, apparently, abreast with the latest changes effected in the tax structure. This resulted in non-realisation of additional surcharge of Rs.1,17,157 (calculated at the rate of Rs.6.60 for each vehicle).

On this being pointed out in audit (July 1978), Government stated (April 1979) that Rs.1,17,157 had been deposited by the registered owner, in February 1979.

4.4. Short-realisation of road tax due to irregular classification of an articulated vehicle

Under the Motor Vehicles Act, 1939, "articulated vehicle" means a tractor to which a trailer is attached in such a manner that a part of the trailer is superimposed on, and a part of the weight of the trailer is borne by, the tractor. In July 1975, Government clarified that trailers were transport vehicles and if they were combined with tractors in such a way as to constitute an articulated vehicle, such combinations were transport vehicles. Accordingly, tax on an articulated vehicle should be levied on its registered laden weight, at the rate prescribed for the transport vehicles.

In the course of audit (July 1978) of Asansol region, it was noticed that instead of taxing an articulated vehicle on its registered laden weight, tax was levied separately on the tractor on its unladen weight and on the trailer on its registered laden weight, treating them as separate vehicles. This irregular classification of the vehicle resulted in short realisation of tax.

The matter was reported to Government in August 1978. Government stated (February 1979) that demand for Rs.21,153 for the period July 1976 to June 1979 had been raised. The amount was collected in May 1979.

4.5. Non-relisation of tax on a crane-cum-breakdown van

Under the Bengal Motor Vehicles Tax Act, 1932, the tax shall be payable in advance by the person who keeps a motor vehicle for use.

In the course of audit (May 1978) of the Calcutta region, it was noticed that tax in respect of a crane-cum-breakdown van, which fell under the category of "D-Tractor", had not been paid by the owner of that vehicle for the period 1st August 1975 to 31st July 1978, though there was no record to show that the vehicle was either disposed of or was off the road. No reason for non-payment of tax was also recorded in the Tax Demand and Collection Register. The tax leviable for the period 1st August 1975 to 31st July 1978 worked out to Rs.43,560 (including penalty of Rs.14,520 leviable on arrear tax).

The Vehicle was registered on 24th January 1969. The realisation of tax after registration to July 1975 could not also be verified in audit as the relevant Tax Demand Register was stated to have been lost.

When this was pointed out in audit (October 1978), the department stated (October 1978) that the matter was being taken up with the registered owner of the vehicle. The reply of the department was indicative that the records were not maintained properly.

The matter was reported to Government in October 1978; reply is awaited (March 1979).

CHAPTER V

OTHER TAX RECEIPTS

A—Agricultural Income tax

5.1. Incorrect deduction

Under the Bengal Agricultural Income Tax Act, 1944, premium paid towards insurance of crops against loss or damage is allowed as a deduction when the entire income is derived from agriculture. But in the case of mixed incomes, as in the case of tea cultivation, such deduction is not allowed.

(a) In the course of audit it was noticed that in the case of a tea manufacturer Rs.40,950 had been allowed in full as deduction by the Income Tax Officer being the amount paid towards hailstorm insurance premia for the assessment year 1969-70. This amount was again allowed by the Agricultural Income Tax Officer in the assessment made on 27th January 1976 without verifying the Income Tax assessment, while computing agricultural income of the tea company. Consequently, there was under-assessment of tax to the extent of Rs.20,475.

The matter was reported to Government in August 1977; reply is awaited (March 1979).

(b) In the case of another tea company, total agricultural income for the year ended March 1971 was assessed (March 1978) at Rs.2,79,304 after setting off loss of Rs.6,99,652 for the previous year ended March 1970 including premium of Rs.50,000 paid for hail insurance. But the premium for hail insurance was already allowed as deduction in the accounts for the year 1969-70 and included in the amount of Rs.4,26,056 towards payment of composite insurance premium. Thus, Rs.50,000 were deducted twice while arriving at the taxable income, without verifying the accounts properly. This resulted in short levy of tax of Rs.25,000.

On this being pointed out in audit (September 1978), the department admitted the mistake and agreed (September 1978) to rectify it. Further developments are awaited (March 1979).

The matter was reported to Government in October 1978; reply is awaited (March 1979).

5.2. Irregular deduction of expenditure on religious purpose

Under the Bengal Agricultural Income Tax Act, 1944, agricultural income derived from property held under trust or other legal obligation wholly for religious or charitable purposes, is exempt from tax. In case, the property is held in part only for such religious purposes the income actually applied thereto is only exempt from tax.

In the assessment of a trust, held partly for religious purposes for the period 1975-76, the taxable income was assessed (October 1977), after deducting Rs.34,800 (fifty per cent of the total income) towards expenditure incurred for religious purposes though no account thereof was furnished by the assessee. This irregular deduction, without any reference to the actual expenditure incurred, led to under-assessment of tax of Rs.15,900.

On this being pointed out in audit (September 1978), the department stated that as per terms of the trust deed fifty per cent of the total income was charged for charitable purposes and the assessing officer had no jurisdiction to impose tax on the income charged for charitable purposes even if a portion of it was not utilised for such purposes. As the income applied only for charitable purposes is exempted from tax, the contention of the department is contrary to the provisions of the Act.

The matter was reported to Government in October 1978; reply is awaited (March 1979)

5.3. Under-assessment of tax due to incorrect determination of the status of the assessee

Under the Bengal Agricultural Income Tax Act, 1944, in respect of agricultural income received on behalf of any person by a Court of Wards, an Administrator General, an official Trustee and a common manager by or under any law for the time being in force, tax shall be levied and recovered from the administrator, trustee or manager in like manner on whose behalf the income is derived.

A wakf estate held by different *Mutawallis* (managers) being Joint holders of the estate, should be assessed to tax in the status of "Association of Persons" and not individuals.

In the assessment of a wakf estate in the Agricultural Income Tax Office, Burdwan Range, it was noticed (August 1978) that the agricultural income derived from the estate was split up among different *mutawallis* (managers) of the estate and the split up income was subjected to tax at the rate applicable to individual income of

the “*mutawallis*” instead of assessing the total income derived by the estate in the status of an association of persons. The incorrect determination of the status of the assessee resulted in short-levy of tax of Rs.62,892 for the years 1971-72 to 1973-74.

The matter was reported to Government in October 1978; reply is awaited (March 1979).

5.4. Loss of revenue owing to delay in assessment and pursuance of demand

Under the Bengal Agricultural Income Tax Act, 1944, the assessment in respect of an assessee having agricultural income only is required to be completed within four years from the end of the year for which the income is assessable. Prior to the amendment effected with effect from April 1975, there was also no provision for payment of advance tax as obtaining in the Income Tax Acts, 1922 and 1961.

In the course of audit of the accounts of the Agricultural Income Tax Office, Nadia range, it was noticed (July 1976) that in respect of a co-operative ganja farming society, all but one of the assessments for the years 1952-53 to 1960-61 were completed after three years and ten to eleven months from the end of the year for which the income was assessable. The total amount of tax assessed for the nine years in question was Rs.1,21,026. No payment of tax was made by the society which was placed under liquidation in November 1963. In respect of the dues for the three years 1956-57 to 1958-59 amounting to Rs.32,371 action for recover of the dues under the Bengal Public Demands Recovery Act, 1913, was initiated (between August 1962 and August 1963) before the liquidator of the society. In respect of the remaining dues amounting to Rs.88,655 relating to six years, such actions were initiated in March and April 1965 after the society was placed under liquidation. A claim for Rs.1,21,128 (tax plus penalty) was placed before the liquidator of the society. The Registrar of Co-operative Societies, West Bengal, stated (December 1969) that considering the assets and liabilities of the liquidated society, it would not be worthwhile to proceed further in the certificate cases brought against the liquidator. However, permission was granted by him in December 1969 under the Bengal Co-operative Societies Act, 1940, for filing a suit against the liquidator for recovery of the dues. There was nothing on record to show whether any action was actually initiated in the matter till to-date (March 1979).

The matter was reported to Government in April 1977; reply is awaited (March 1979).

B—State Excise

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

By issue of two notifications in August 1975 and May 1976, Government specified certain urban areas in the State, including Barrackpore and Basirhat Sub-Divisions of 24-Parganas district, Sadar and Serampore Sub-Division of Hooghly district and Nadia district, where the supply and sale of country spirit of various strengths, as prescribed therein, would be made in sealed and capsuled bottles of different capacities. Under the rules, no wastage in transit or storage of country spirit, sold in sealed bottles, is allowable. In February 1977 the department, while issuing instructions regarding disposal of defective country spirit bottles lying at warehouses, also reiterated the aforesaid point. Therefore, the duty on such wastage would be levied, unless remitted by Government on good cause being shown therefor.

In four warehouses at Barrackpore, Basirhat, Bandel and Krishnagar and in one distillery at Serampore, it was noticed in audit (July 1977 to February 1978) that during the year 1976-77 there was wastage, both in store and in transit, of 34,302 bottles of various capacities containing country spirit of different strength on which duty at the prescribed rates amounting to Rs.1,13,690 was leviable. No duty was, however, levied, nor any reason for such shortage was found to have been received from the bonders.

On this being pointed out in audit (July 1977 to February 1978), the department agreed to take action (July 1977 to February 1978). Further developments are awaited (March 1979).

The matter was reported to Government between September 1977 and November 1978; reply is awaited (March 1979).

5.6. Non-recovery of excise duty on loss of spirit in transit

Under the excise regulations, loss of spirit in course of transportation from distilleries to the bonded warehouses in excess of the permissible limits (varying from $\frac{1}{2}$ per cent to 5 per cent, depending on the duration of transit and type of containers used) are chargeable to duty.

Mention was made in paragraphs 62 and 88 of the Reports of the Comptroller and Auditor General of India on Revenue Receipts for the years 1973-74 and 1974-75, respectively, regarding non-recovery of excise duty on the loss of spirit in excess of the allowable limit during transit from distilleries to bonded warehouses,

Similarly, loss of spirit in transit, to the extent of 4,408.9 proof litres in excess of allowable limit, was noticed in audit (September 1977 and February 1978) in Purulia and Hooghly districts during 1976-77. The excise duty leviable thereon worked out to Rs.78,392. Neither any demand for duty was raised on the excess loss nor any order waiving the recovery of the duty was issued (October 1978) by the competent authority. Evidently, cases of non-observance of rules by the subordinate authorities could not be detected and their strict compliance ensured.

On this being pointed out in audit (September 1977 and February 1978), in respect of one district, the department stated (September 1977) that cases of excess transit loss had been reported to the Commissioner of Excise, West Bengal. In respect of the other district the department stated (March 1978) that the cases were under correspondence for regularisation of transit losses. Further developments are awaited (March 1979).

The cases were reported to Government in September 1978 and October 1978; reply is awaited (March 1979).

5.7. Loss of molasses in transit

For production of spirits, molasses is imported from other States on basis of premits issued by the Commissioner of Excise, West Bengal, who is the ex officio Controller of Molasses, West Bengal, under the provisions of the Molasses Control Act, 1949. There is no provision in the departmental Manual or in the Molasses Control Act, 1949, laying down the admissible limits for the loss of molasses in transit.

In the course of audit it was noticed (February 1978) from the Stock account of molasses maintained in one distillery that during the year 1976-77 the quantity of molasses actually received was 3810.706 metric tonnes whereas the quantity of imported molasses shown in the railway receipts was 3878.940 metric tonnes, the quantity short received being 68.234 metric tonnes.

The quantity of 68.234 metric tonnes of molasses, lost in transit, could yield 26,017.6 London Proof litres of spirit, on the basis of the average yield of 381.3 London Proof litres per metric tonne of molasses as furnished by the department. The excise duty involved on 26,017.6 London Proof litres was Rs.4,62,072.

The Public Accounts Committee in their Report for 1976-77 (Part II), have recommended that the department should seriously consider the question of laying down the statutory percentage of allowable loss in transit of molasses and arrive at a suitable decision without any further loss of time. But the percentage of allowable loss in transit of molasses had not yet been fixed by Government (March 1979).

The matter was reported to Government in December 1978. Government stated (April 1979) that no limit for allowable wastage had been prescribed in the rule as the extent of wastage was not uniform. The fact remains that un-controlled "losses" can be a source of considerable abuse.

5.8. Loss of revenue due to wastage in course of re-distillation of spirit

Under the excise regulations, the allowable percentage of wastage for blending and other processes is 1.5 per cent; for bottling operations another 2 per cent is allowed. Any loss in excess of the aforesaid norms is liable to duty at the prescribed rate. There being no provision in the rules for allowance of wastage on account of re-distillation of rectified spirit for manufacture of India made foreign liquor, duty is leviable on the entire quantity of the wastage.

During 1976-77, cases of wastage of 1,37,069.1 London Proof litres of rectified spirit occurring in the course of re-distillation was noticed (between July 1977 and February 1978) in two distilleries in two districts (Burdwan West and Hooghly). No duty was, however, levied by the department on this quantity of wastage. The duty involved in these cases worked out to Rs.41,12,073.

On this being pointed out in audit (between July 1977 and February 1978), the department stated (between July 1977 and January 1979) that there was no specific provision specifying any percentage of wastage as allowable in re-distillation.

The matter was reported to Government in November and December 1978. Government stated (April 1979) that re-rectification of spirit was done for the purpose of manufacture of sophisticated spirit suitable for manufacture of Indian made foreign liquor and no ceiling limit for such loss is provided in the Excise Rules. The fact remains that uncontrolled wastage can be a source of abuse.

C—Stamps and Registration Fees

5.9. Short levy of stamp duty due to incorrect classification of mortgage deeds

Under the Indian Stamp Act, 1899, and Bengal Stamp (Amendment) Act, 1922, a mortgage deed by which one person transfers or creates, to or in favour of another, a right over or in respect of a property for the purpose of securing money advanced or to be advanced by way of loan, or an existing or future debt, is liable to stamp duty under Article 40(b) of Schedule IA of the Act. In the case of a mortgage deed executed by way of security for the due execution of an office or to account for money or other property

received by virtue thereof and where there is no provision for transfer of right over any property, the stamp duty in respect of such deeds is leviable under Article 57 of Schedule IA of the Act.

In the course of audit of the Registration office at Kalimpong, it was noticed (May 1978) that on twenty seven mortgage deeds, executed by the borrowers between February 1976 and July 1977 by mortgaging their properties as security for repayment of the loans granted to them by a co-operative society, the stamp duty was levied under Article 57 instead of under Article 40(b). This incorrect classification of deeds resulted in short levy of stamp duty of Rs.14,427.

The matter was reported to Government in August 1978; reply is awaited (March 1979).

D—Entry Taxes

5.10. Non-levy of tax on aircraft engines and spares

Under the Taxes on Entry of Goods into Calcutta Metropolitan Area Act, 1970, tax at the rate of 1 per cent *ad valorem* is leviable on aeroplane parts, aeroplane engines and parts thereof brought into Calcutta Metropolitan Area for use. On 12th March 1976 Government issued orders exempting from payment of entry tax on the aforesaid items used exclusively on aeroplanes of airlines operating in or through Calcutta Airport. No assessment was made or demand was raised in respect of these commodities brought from different places within India and used between 16th November 1970 (date of effect of the Act) and 11th March 1976 by the Indian Airlines.

When this was pointed out in audit (September 1976), the department stated (October 1977) that assessment would be made on receipt of statement of articles brought to Calcutta Airport and used by the Indian Airlines Authorities. The total tax recoverable on this account could not be worked out as the value of the unassessed commodities was not available. The Indian Airlines had stated (November 1975) to the Finance Department that engines and spares worth Rs.96,13,426 were brought to Calcutta Airport during 1974-75. The tax effect on this alone worked out to Rs.96,134.

The matter was reported to Government in November 1977. Government stated (May 1978) that the case could not be finalised as the Airlines Authorities had prayed for time for processing and scrutinising the matter. Further developments are awaited (March 1979).

CHAPTER VI

MINES AND MINERALS

6.1. Non-levy of royalty on coal of certain collieries

Under the Mines and Minerals (Regulation and Development) Act, 1957, as amended, royalty is payable in respect of any mineral removed by a lessee from the leased area at the rates specified from time to time.

Mention was made in paragraph 75 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1975-76 of cases of under-assessment of royalty owing to omission by the assessing officer (Chief Mining Officer) in taking into account the despatch figures of coal in respect of certain collieries. But no remedial action appears to have been taken either by the department or by Government to avoid such irregularity.

Similar omissions to consider the despatches made by the collieries even though these were duly exhibited in their returns were noticed in audit (July 1978) in the assessment of seven units of Coal India Limited, for the years 1975-76 and 1976-77, resulting in short levy of royalty of Rs.8,99,615 in the aggregate. In the absence of any arrangement for internal audit, the omission on the part of the assessing officer remained undetected.

On this being pointed out in audit (July 1978), the department agreed (July 1978) to review the cases. Further developments are awaited (March 1979).

The matter was reported to Government in October 1978; reply is awaited (March 1979).

6.2. Short levy of royalty due to acceptance of incorrect returns

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

Royalty on coal is assessed on the basis of despatch figures submitted by five units of the Coal India Limited in their monthly returns. It was noticed (July 1978) in audit that in several returns for the months between March 1976 and April 1978, the opening

balances of coal in a month were shown less than the closing balances shown in the returns of the same colliery for the preceding month. The quantity of coal thus excluded from the stock was not considered at the time of assessment of royalty made on the basis of facts and figures disclosed by the collieries in their returns. No checks were, apparently, exercised by the Mining Officer to satisfy himself as to the authenticity or otherwise of the figures disclosed in the returns. Thus, owing to failure to exercise proper scrutiny of the returns, there was short account of coal to the extent of 51,649 tonnes. This resulted in short levy of royalty of Rs.2,30,550 in the aggregate.

On this being pointed out in audit (July 1978), the department agreed (July 1978) to review the cases. Further developments are awaited (March 1979).

The matter was reported to Government in October 1978; reply is awaited (March 1979).

6.3. Non-assessment and under-assessment of royalty on coal due to application of incorrect rate

According to the notification issued by the Government of India on 14th July 1975, under the Mines and Minerals (Regulations and Development) Act, 1957, royalty on non-coking coal (Grade I) is leviable at Rs.4 per tonne in respect of coal despatched.

In the course of audit it was noticed (January 1978) that a colliery despatched 73,316 tonnes of non-coking coal (Grade I) between June 1976 and September 1976. Royalty at the rate of Rs.3.50 per tonne instead of at the prescribed rate of Rs.4 per tonne was assessed on 73,306 tonnes of coal. This resulted in non-assessment and under-assessment of royalty of Rs.36,693.

The matter was reported to Government in July 1978. Government stated (December 1978) that the assessment had been revised and demand for the additional amount sent to the realisation authority in October 1978. Report of realisation is awaited (March 1979).

In the assessments of another colliery for the period April 1976 and June 1977, royalty on 74,590 tonnes of Grade 'C' coal despatched was assessed (between October 1976 and September 1977) at the rate of Rs.4.50 per tonne instead of at the prescribed rate of Rs.5 per tonne. This resulted in under-assessment of royalty of Rs.37,295.

When this was pointed out in audit (July 1978), the department agreed (July 1978) to review the case. Further developments are awaited (March 1979).

The under-assessments in both the cases could have been detected by the department itself, if there was any system of internal audit check in the department.

The matter was reported to Government in July 1978 and October 1978; reply is awaited (March 1979).

6.4. Incorrect basis of assessment of royalty on coal

Under the Mines and Minerals (Regulation and Development) Act, 1957, as amended, royalty at the prescribed rates is payable on any mineral removed from the leased area exempting the permissible quantity of coal consumed by workmen in the collieries.

In the course of audit it was noticed that royalty in respect of Parbelia unit of Eastern Coal Fields Ltd for the period April 1975 to December 1975 was made on the actual quantity of coal raised less the allowance for consumption by workers. A sum of Rs.6,51,896 was assessed on 2,21,716 tonnes of coal raised, against Rs.7,01,570 assessable on 2,35,742 tonnes of coal despatched during that period. This resulted in under-assessment of royalty of Rs.49,673.

On this being pointed out in audit (February 1977), the department agreed to review the assessment.

The matter was reported to Government in August 1977; Government stated (January 1979) that the assessment had been revised and additional demand of Rs.49,673 had been raised (December 1977). Particulars of collection are awaited (March 1979).

6.5. Non-levy of royalty on coal consumed

As already stated in Paragraph 6.4 above, under the Mines and Minerals (Regulation and Development) Act, 1957, the holder of a mining lease is liable to pay royalty at the prescribed rate for any mineral consumed by him or his agent, manager, employees, contractor or sub-lessee from the leased area. However, coal consumed by the workmen up to one third of a tonne per month is exempted from payment of royalty.

(a) In the course of audit of assessments made by the Chief Mining Officer, West Bengal, it was noticed (January 1978) that assessment of royalty on coal was made on the basis of returns furnished by the lessees. In their returns for the year 1976-77, these lessees claimed deduction of 7,387 tonnes on account of different types of coal consumed by the collieries in the boilers. The acceptance of

incorrect claim for deduction resulted in under-assessment of royalty to the extent of Rs.35,632. The claims of the lessees were, apparently, not examined properly with reference to the legal provisions in the Act before allowing the deductions.

On this being pointed out in audit (January 1978), the department agreed (January 1978) to review the case. Further developments are awaited (March 1979).

The matter was reported to Government in July 1978; reply is awaited (March 1979).

(b) Mention was made in paragraph 74 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year 1975-76 of loss of revenue due to non-realisation of royalty on coal consumed by the collieries. Similar cases of non-assessment of royalty were noticed in audit (February 1977 to July 1978) on 4,35,920 tonnes of coal consumed by 33 units of Coal India Limited between May 1973 and March 1978. The company did not furnish the details of the quantity of coal consumed by the workmen either individually or jointly. But the entire quantity of coal shown as consumed by the collieries was exempted from payment of royalty. The amount of royalty involved was Rs.16,91,933.

When the matter was brought to the notice of Government in November 1977, instructions were issued (January 1978) by them to levy royalty for the entire quantity previously exempted on grounds of internal consumption unless supported by data on number of workmen employed. Information regarding royalty actually assessed on the basis of aforesaid instructions is awaited (March 1979).

6.6. Non-levy/short levy of royalty on minor mineral

The West Bengal Minor Minerals Rules, 1973, which were promulgated on 30th January 1974, prescribed the rate of royalty on all minor minerals at Rs.4.935 per 100 cft. Brick-earth is a minor mineral.

(a) In the course of audit it was noticed (December 1977 to March 1978) that in two districts (Bankura and Burdwan) earth and sand for manufacture of bricks measuring 33,56,020 cft. and 84,94,300 cft., respectively, were extracted between 1974 and 1977 without payment of royalty. This resulted in non-recovery of royalty of Rs.5,84,813.

On this being pointed out in audit (between November 1977 and February 1978), the department agreed to assess and recover the royalty. Further developments are awaited (March 1979).

The matter was reported to Government in June 1978 and September 1978; reply is awaited (March 1979).

(b) In the course of audit it was noticed (February 1978) that in two circles of Howrah district, during the period 30th January 1974 to 31st December 1975, royalty on sand was realised at the old rate of Rs.2.50 instead of at the revised rate of Rs.4.935 per 100 cft on extraction of 6,96,424 cft of sand. This resulted in under-assessment of royalty to the extent of Rs.16,780. In the absence of any system of internal audit the department could not also detect the mistakes.

On this being pointed out in audit (February 1978), the department agreed (February 1978) to look into the matter. Further developments are awaited (March 1979).

The matter was reported to Government in August 1978; reply is awaited (March 1979).

CHAPTER VII

NON-TAX RECEIPTS

A—Working of West Bengal State Lotteries

7.1. Introductory

With a view to providing funds for development activities like building of State Stadium, Establishment|Expansion|Modernisation of Educational institutions or T.B.-after-care-colony schemes, the Government of West Bengal introduced the State Lottery in January 1969. Entire sale proceeds were credited to appropriate receipt head of account and the department could not state (February 1979) whether these lottery receipts had been utilised on the specified objects.

7.2. Revenue position

Revenues collected by sale of tickets vis-a-vis the expenditure incurred by the organisation since its inception up to the end of 1977-78 were as shown below :—

Year				Receipts from State Lotteries	Expenditure on State Lotteries
				Rs.	Rs.
1968-69	..	..	..	12,27,062	4,81,291
1969-70	..	..	..	77,51,564	26,05,714
1970-71	..	..	..	37,83,744	24,81,954
1971-72	..	..	..	15,14,832	20,94,226
1972-73	..	..	..	10,10,773	12,91,522
1973-74	..	..	..	35,92,484	23,51,042
1974-75	..	..	..	60,76,741	52,53,948
1975-76	..	..	..	1,08,34,372	55,36,844
1976-77	..	..	..	2,58,14,155	1,62,96,765
1977-78	..	..	..	2,95,28,244	1,66,12,837

It would be noticed that the revenue had declined sharply during during 1971-72 and 1972-73 while the expenditure exceeded the receipts. The actual loss was greater as the expenditure on printing the tickets incurred by the West Bengal Government Press is not included in the accounts of the directorate. From 1973-74 the revenue increased steadily but the expenditure also increased appreciably and the net revenues during 1973-74 and 1974-75 were merely Rs.12.41 lakhs

and Rs.8.23 lakhs, respectively. In the subsequent years the receipts increased but in 1976-77 the expenditure suddenly increased by 200 per cent (approximately). The sudden spurt in expenditure needs justification.

7.3. Printing and stock of lottery tickets

In terms of clause (2) of rule 3 of the State Lottery Rules, 1968, Government issued notifications, published in the Official Gazette determining the number of series and number of tickets to be put on sale for the draws of the West Bengal State Lottery. Orders for printing of tickets were placed accordingly with the Government Press from time to time.

Audit of the stock accounts of tickets received from the Press revealed the following irregularities :

- (i) In respect of 'Y' series, 57,000 tickets bearing serial numbers 3,43,001 to 4,00,000 relating to the 29th draw held in May 1974 were not entered in the stock register after their receipt from the Press, although 16,500 of these tickets were found to have been sold as per the entries in the issue register and the rest appeared in the list of unsold tickets.
- (ii) The Government Press sent 4,30,000 tickets for the 89th draw held in October 1976. On the body of the challan 4,25,000 tickets, in place of 4,30,000 despatched, were recorded to have been received as per details below :

A series 1,00,000; B series 1,25,000; C series 2,00,000.

In the stock register, however, the entry was made for 4,30,000 tickets. There was neither any record to indicate how the remaining 5,000 tickets were received in stock nor were the reasons therefor elucidated, on being enquired in audit (September 1977).

- (iii) Out of 11,60,000 lottery tickets for 100th draw received from the Press through seven challans, 11,050 tickets of 'Y' series, found defective, were returned to the Press for reprint. An equivalent number of tickets of the same series, duly reprinted, were also received back from the Press on 29th December 1976. The return of the tickets to the Press and the receipt of the reprinted tickets were not separately noted in the stock register.

The other general irregularities in the maintenance of stock account of tickets, noticed in course of audit, were as follows:

- (i) The challans sent along with the lottery tickets of different draws, by the Government Press, did not specify the running serial numbers of each of the series so delivered, nor were the serial numbers, so received, mentioned in the stock register against the entries of receipt from the Press.
- (ii) There was no record on the bodies of the challans in support of the proper verification of the tickets received from the Press, nor were the individual entries made in the stock register for receipt of tickets from the Press attested by any responsible officer.

7.4. Issue of tickets

Under rule 5 of the State Lottery Rules, 1968, the State Lottery tickets will normally be made available to the public through authorised agents and such other channels as may be determined from time to time by Government. Government also reserves the right to sell tickets direct to the public. It is also provided in clause 6 of rule 7 *ibid*, that the agents shall purchase tickets on payment of the full value of tickets less commission allowable on the face value of the tickets.

Accordingly, tickets were sold to the authorised agents at the sales counter of the Directorate and at the district treasuries and sub-treasuries as well as at the office of the Liaison Commissioner, New Delhi. Some tickets were also sent through the officials of the Government for sales to authorised agents at Patna and Gauhati. Special tickets of higher denomination valid for 25 or 50 draws, were, however, sold only from the sales counter of the Directorate.

7.5. Money receipt books

Sale proceeds of lottery tickets issued at the sales counter of the Directorate, the Liaison Office, New Delhi and at Patna and Gauhati, were being collected through money receipt books, printed in triplicate, at the Government Press, Alipore, and issued by the Directorate from time to time. It was, therefore, imperative to maintain an account of receipt, issue and stock of money receipt books properly. For the purpose of verification by the Directorate of the actual amount collected by sale of tickets and remitted to treasury/bank, it was also necessary that the triplicate copies of all used money receipt books be received back at the Directorate.

In the course of audit of the stock register of money receipt books the following irregularities were noticed:—

- (i) The entries in token of receipt of the books from the Press were not authenticated at all by any officer.
- (ii) The entries made of the issue of the books from time to time were not signed by the officials on several occasions to whom those were issued.
- (iii) There was no record in the stock register of any receipt book having been received back at the Directorate after its use. Altogether six money receipt books were issued to the Liaison office, New Delhi, during the period February 1976 to February 1977. But none of the books used so far could be produced to audit on being asked for (September 1977).

7.6. Sale proceeds of tickets

Sale proceeds of lottery tickets were being collected and credited to Government revenue in the following manner :

- (a) amounts collected at the Directorate were deposited at the Reserve Bank of India;
- (b) amounts collected at the district treasuries and sub-treasuries were deposited direct into the respective treasuries and sub-treasuries;
- (c) amounts collected by the Government officials by sale at Patna and Gauhati were deposited at the Directorate either in cash or through demand drafts for remittance to the Bank; and
- (d) amounts collected by the Liaison Commissioner, New Delhi, were sent to the Directorate through demand drafts.

Government moneys collected should be deposited to Bank treasury as early as possible. In the course of audit of the register of bank drafts and the register of sales of tickets outside West Bengal, it was noticed that on a number of occasions there was considerable delay in the receipt at the Directorate of the amounts collected at New Delhi, Patna and Gauhati. Three such instances are cited below :

- (I) Thirty-seven demand drafts dating back from 15th October 1975 to 24th March 1976 for an aggregate value of Rs.1,56,767 were found to have been received from the Liaison Commissioner, New Delhi, and deposited to the Reserve Bank of India, Calcutta, on 31st March 1976, as per entry in the register of bank drafts.

- (II) Seventeen demand drafts, bearing dates between 9th February and 7th May 1976 for total sum of Rs.72,543.25 were found to have been received from the Liaison Commissioner, New Delhi, and deposited to the Reserve Bank on 11th May 1976, after a time lag ranging from four days to five months in certain cases.

Details regarding the draws in respect of which and the period during which the amounts in question had been collected could not be ascertained in audit.

- (III) A sum of Rs.29,062.50 collected at Patna, by sale of tickets for 109th and 110th draws held on the 5th and the 12th March 1977, respectively, was noticed to have been deposited at the Directorate on the 9th April 1977, as per entry made in the register of sale of tickets outside West Bengal. A sum of Rs.25,512.50 out of the aforesaid amount was deposited in cash and the balance of Rs.3,550 in demand draft.

7.7. Sale of tickets by adjustment of prizes won

By issue of a notification in June 1976, Government authorised the agents to pay small prizes of Rs.1,000 and below to the prize-winners and to claim reimbursement therefor from the State Government, subject to the condition that the responsibility for the genuineness of the prize-winning tickets, both of the ticket itself as also of its having been actually sold, would lie upon the agents. The value of such prizes was reimbursed to the authorised agents either in cash or by issue of fresh tickets for the ensuing draws. But no orders of Government authorising such sale of tickets by adjustment of prize money were obtained nor any separate accounts of such adjustment sale of tickets against prizes were kept.

As the responsibility for the genuineness of the prize-winning tickets would lie upon the agents, it was necessary that the claims for reimbursement of prizes would be accepted only on those tickets which were issued to the agents claiming such reimbursement. In the course of audit of the prize payment register for the 109th draw, it was noticed that in a number of cases value of prizes of Rs.100 and Rs.50 were reimbursed to authorised agents at Patna, although the tickets were not sold at Patna, as per the list of tickets sent for sale to Patna, as maintained at the Directorate.

7.8. Sales account

No pro forma account showing receipt and expenditure for each individual draw or for each year was being maintained in the Directorate. When such accounts were called for in audit (August-1977), the local office stated that many old records would have to

be consulted for preparing the statement. No details of the number of tickets sold at the Liaison Office, New Delhi, or at the district treasuries and sub-treasuries of West Bengal, the amounts collected, the commission paid and the amounts sent by demand drafts to the Directorate or remitted to treasury, as the case may be, could also be furnished to audit on being asked for (September 1977).

7.9. Commission on sale of tickets

As per the rules lottery tickets are to be sold to authorised agents on payment of full value of tickets less commission allowable. Accordingly, commission was being allowed at the following rates on the basis of number of tickets purchased by each of them :

For number of tickets purchased	Percentage of commission	Remarks
(i) 50 to 999 ..	20	....
(ii) 1,000 to 9,999 ..	22½	....
(iii) 10,000 to 24,999 ..	24	In case of total sale of tickets being not less than 4,25,000.
(iv) 25,000 and above ..	(a) 23½	In case of total sale of tickets being not less than 4,25,000.
	(b) 24½	In case of total sale of tickets being not less than 6,25,000.
	(c) 25½	In case of total sale of tickets being not less than 7,50,000.

As the allowance of the commission at various rates were to be verified from the totals of the purchases of tickets by each authorised agent for each individual draw, an account specifying the purchases of tickets by each agent for each draw should be maintained. This was also necessary for payment of sellers' prizes to the authorised agents on the basis of the numbers of tickets purchased. No such account could be made available to audit for verification (September 1977). Nor any such account of sale of tickets and payment of commission was found to have been received from the Liaison Commissioner, New Delhi, or the district treasuries and sub-treasuries. The correctness of payment of commission and sellers' prizes to authorised agents was not, therefore, susceptible of verification.

7.10. The draw for prizes

Under clause 4 of rule 3 of the State Lottery Rules, 1968, tickets, remaining unsold, shall not be eligible for any prize in a draw. Accordingly, rule 12 *ibid*, provides that a list, duly authenticated by the Director, indicating the notations of the series of tickets sold and a list of number issued in the series, shall be furnished to the Committee of Judges, appointed by Government for the purpose. This rule also

provides that a list of tickets remaining unsold shall also be drawn up by the Director and shall be furnished to the Committee of Judges, duly authenticated by him, before the draw commences.

It was, therefore, essential that the lists of both the sold and the unsold tickets in respect of each draw should reach the Director from different sales centres well in advance and the consolidated lists of both sold and unsold tickets should be prepared by the Director for furnishing to the Judges before the commencement of the draw.

In the course of audit of the records from the 57th draw to 115th draw, held between February 1976 and April 1977, it was noticed that no list of sold ticket numbers had been sent by the Liaison Commissioner, New Delhi, for any of the draws and accordingly, no consolidated list of sold ticket numbers for any of the aforesaid draws appeared to have been prepared by the Director for furnishing to the Committee of Judges.

Government officials carrying tickets to Patna and Gauhati, for sale, should also furnish a list of sold and unsold ticket numbers to the Director, duly signed by them. A test check of a few cases revealed that in respect of several draws, as mentioned below, no such lists were placed on records :

Name of the place		Number of the draws
Gauhati	..	48th, 49th, 52nd to 79th
Patna	..	69th to 80th

That even the unsold list prepared at the Directorate was not always complete and correct might be seen from an instance cited below :

The 62nd draw of the West Bengal State Lottery was held on the 27th March 1976 and accordingly, a consolidated list of unsold tickets was prepared and duly authenticated by the Director prior to the commencement of the draw, for furnishing to the Committee of Judges. After a lapse of over three months, the Liaison Commissioner, New Delhi, intimated the Director, in July 1976, that another fifty tickets, bearing serial numbers 'X' 2,06,951 to 'X' 2,07,000, of the aforesaid draw remained unsold. The unsold list prepared by the Director was accordingly revised by insertion of those numbers. Had the Liaison Commission sent both the lists of sold and unsold ticket numbers prior to the draw, this omission could have been avoided.

7.11. Payment of prizes

While the prizes of Rs.1,000 and above were found to have been paid by the Director himself, funds were allotted by Government to the Treasury Officers of the districts and to the Liaison Commissioner, New Delhi, for payment of prizes of smaller amounts to the holders of the winning tickets.

As there is no bar in the rules for the holder of a winning ticket to claim the prize money at a sales centre other than that from which the ticket was purchased, it is essential that a copy each of the sold and unsold ticket numbers be sent by the Director to all the sales centres, i.e., the treasuries, the sub-treasuries and the Liaison office, New Delhi, immediately after a draw is held. But this was not being done. No account of the payment of prizes made from other sales centres in respect of different draws were being received.

No record of the total number of prizes claimed by the public and paid or rejected, if any, and unclaimed prizes forfeited to Government in respect of individual draws was maintained.

In the course of audit a few instances of irregular payment of prizes were noticed as cited below :

- (i) In respect of 24th draw to 42nd draw 5th and 6th prizes of Rs.100 and Rs.50 each, respectively, were irregularly paid against 208 tickets which had not appeared in the list of sold tickets, between December 1973 and August 1975. The amount involved in these irregular payments was Rs.15,100.
- (ii) Similarly, during the same period prizes for interim draws amounting to Rs.15,700 were paid against 151 tickets which remained unsold when the respective draws were held.

The points referred to in the foregoing paragraphs were reported to Government between January 1976 and February 1979; reply is awaited (March 1979).

B—Co-operation

Realisation of audit fees from the Co-operative Societies

7.12. Introductory

Under the West Bengal Co-operative Societies Act, 1973 and the rules made thereunder, the accounts of every Co-operative Society (including the Co-operative Societies under liquidation), registered under the Act, shall be audited at least once in each year, for which

the society is liable to pay an audit fee at the prescribed rate within three months from the date of submission of the audit report and if not paid within that period, it may be recovered in the same manner as arrears of land revenue.

7.13. Arrears in audit of Co-operative Societies

As the audit fee becomes due only after submission of audit report, the audit of each co-operative society for each year should be completed within the period prescribed under the law.

In the course of audit it was noticed (November 1978) that in 30 per cent cases, as detailed below, the audit remained in arrears up to the year ending on 30th June 1977 :—

	Total number of societies as on 1st July 1976	Number of societies audited during the year	Number of societies audit of which was in arrear as on 30th June 1977
Societies which were alive ..	19,818	15,629	4,189
Societies under liquidation	6,751	2,914	3,837
	<u>26,569</u>	<u>18,543</u>	<u>8,026</u>

When the arrears in audit were pointed out by Audit (November 1978), the Directorate stated (November 1978) that the audit of the societies could not be completed in time for want of adequate staff. Out of the total number of Co-operative Societies, the audit of which remained in arrears, societies under liquidation accounted for nearly 48 per cent. Yearwise break-up of the pending cases as well as the number of societies in respect of which the audit was completed during 1977-78 could not be furnished by the department (March 1979).

7.14. Arrears of Audit fee

The amount of uncollected audit fee as on the last day of March 1975, 1976 and 1977, as per figures furnished by the department, was as follows :

Year ended on	Total demand (including arrears of previous year)	Total collection during the year	Arrears at the end of the year	Percentage of arrears to total demand
	(In lakhs of rupees)			
31-3-1975 ..	52.94	13.20	39.74	75.0
31-3-1976 ..	54.48	16.73	37.75	69.0
31-3-1977	51.81	14.95	36.86	71.0

Out of the arrears as on 31st March 1977 the amount realisable from the societies under liquidation worked out to Rs.3.62 lakhs (10 per

cent approximately). The arrears of audit fee as on 31st March 1978 and the yearwise break-up of the arrears are awaited (March 1979).

No information regarding amounts covered by certificate proceedings, recovery stayed by Court, covered by appeal cases or likely to be written off could also be furnished by the Directorate (March 1979).

The points referred to in the foregoing paragraphs were reported to Government in December 1978; reply is awaited (March 1979).

C—Forest

7.15. Non-realisation of application fee for extraction of minor minerals from forest area

Under the West Bengal Minor Minerals Rules, 1973, which came into force from 30th January 1974, application fee at the rate of Rs.50 is realisable for issuing quarry permits for extraction of the minerals.

In the course of audit it was noticed (February 1978) in a forest division that 444 quarry permits were issued by a Divisional forest office during the period February 1974 to March 1977 without realising any application fee from the parties concerned. This resulted in loss of revenue to the extent of Rs.22,200.

The matter was reported to Government in October 1978; reply is awaited (March 1979).

7.16. Non-realisation and short realisation of sales tax from sale of forest produce

Under West Bengal Forest Manual (Part II), the Forest Department should collect sales tax as a dealer under the Bengal Finance (Sales Tax) Act, 1941, at the time of sale of forest produce and the purchasers are to pay sales tax in addition to the bid money.

It was noticed in audit (August 1978) that in one Forest Division (Bankura), Sales tax was not realised from the purchaser of the produce during 1977-78. In another division (Purulia) Sales tax was not realised at the prescribed rates on the sales during 1977-78. This resulted in non-realisation/short realisation of sales tax to the tune of Rs.22,093.

On this being pointed out in audit (August 1978), the department agreed (August 1978) to realise the amount from the defaulting parties. Further developments are awaited (March 1979).

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

K. Tyagarajan.

K. TYAGARAJAN,
Accountant General-II,
West Bengal

CALCUTTA,

The

17 SEP 1979 1979.

Countersigned.

Gian Prakash

GIAN PRAKASH,
Comptroller and Auditor General
of India

NEW DELHI,

The

22 SEP 1979

1979.

APPENDIX I

Taxation changes/Additional Taxation measures during 1977-78

(Reference Paragraph 1-3, Page 3)

Sl. No.	Name of the Act and the head of account involved	Measures taken	Date of enforcement	Estimated additional yield in 1977-78
(1)	(2)	(3)	(4)	(5)
				(In crores of rupees)
1.	The West Bengal Taxation Laws (Third Amendment) Act, 1977 Sales Tax.	(1) Imposition of a uniform rate of Sales tax of 3 per cent on sales of goods for use directly in manufacture as well as in raising of coal and on sale of containers and packing materials to registered dealers.	10-10-1977	5.25
		(2) Levy of purchase tax at the rate of 4 per cent on purchases made by manufacturers from un-registered dealers, and also in respect of purchases from registered dealers of goods used for manufacture and packing of goods transferred out of West Bengal otherwise than by way of sale both under the Bengal Finance (Sales Tax) Act, 1941 and West Bengal Sales Tax Act, 1954.	10-10-1977	2.60
		(3) Enhancement of general rate of last point tax under the Bengal Finance (Sales Tax) Act, 1941, from 6 per cent to 7 per cent.	10-10-1977	2.60
		(4) Increase in the rate of sales tax on India made foreign liquor from 12 per cent to 21 per cent and of foreign made foreign liquor to 50 per cent.	10-10-1977	0.30
		(5a) Raising of the maximum rates of taxation under the West Bengal Sales Tax Act, 1954, from 12 per cent to 20 per cent and transfer of several Groups of commodities from Bengal Finance (Sales Tax) Act, 1941, to West Bengal Sales Tax Act, 1954, for taxation at first point with changes in rates.	1-9-1977	0.90
		(5b) Enhancement of rate of lubricating oil when sold to manufacturers from 1 per cent to 3 per cent and when sold to others from 6 per cent to 7 per cent.	1-9-1977	0.60
		(6) Withdrawal of exemption on sales of tea at Calcutta and Siliguri tea auctions.	1-9-1977	0.45

Sl. No.	Name of the Act and the head of account involved	Measures taken	Date of enforcement	Estimated additional yield in 1977-78
(1)	(2)	(3)	(4)	(5)
				(In crores of rupees)
2.	The Bengal Agricultural Income Tax (Amendment) Act, 1977. Agricultural Income Tax	Increase of rate of tax on companies firms or other Associations of persons and introduction of different rates for domestic and foreign companies.	1-4-1977	0.75
3.	The West Bengal Taxation Laws (Second Amendment) Act, 1977 West Bengal Multistoreyed Buildings Tax. The West Bengal Taxation Laws (Second Amendment) Act, 1977. West Bengal Urban Land Taxation ..	Introduction of progressive rates of taxation under these Acts.	1-10-1977 1-4-1977	1.50
4.	The Bengal Amusement Tax (Amendment) Act, 1977 Amusement Tax.	Levy of an additional surcharge on the exhibition of coloured films on a graded basis depending on value of tickets.	17-10-1977	2.50
5.	The Indian Stamp (West Bengal Amendment) Act, 1977.	Revision of rates of Stamp duty on certain instruments.	1-12-1977	1.00
6.	The Indian Registration Act, 1908. Stamp Duty and Registration Fees.	Revision of rates of registration fees.	15-9-1977	0.50
7.	Notification dated 25-8-1977 issued under the Bengal Excise Act, 1909. State Excise.	Enhancement of rate of excise duty on India made foreign liquor and Ganja and upward revision of pass fee.	25-8-1977	3.50
8.	The Bengal Motor Vehicles Tax Act, 1932 Motor Vehicles Tax.	Increase of rate of motor vehicles tax on individually owned as well as company owned motor cars.	1-12-1977	0.25

 22.70

APPENDIX II

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

(Reference : Paragraph 1.5, Page 5)

Head of account	Gross collection in 1977-78	Expenditure on collection in 1977-78	Percentage of cost of collection to gross collection		
			1977-78	1976-77	1975-76
(In crores of rupees)					
1 Land Revenue*	21.21	13.00	61.3	85.6	77.1
2 State Excise	31.86	2.26	7.1	7.1	6.7
3 Taxes on Vehicles	13.82	0.43	3.1	3.6	3.1
4 Sales Tax	198.02	1.60	0.8	0.8	0.7
5 Stamps and Registration Fees ..	21.11	2.51	11.9	9.1	8.6
6 Taxes and Duties on Electricity	17.22	0.25	1.5	1.4	1.6
7 Taxes on Goods and Passengers	24.69	1.10	4.5	4.7	3.6
8 Other Taxes and Duties on Commodities and Services	20.51	0.10	0.5	7.3	0.2
9 Forests*	8.77	5.88	67.0	59.8	68.2
Total ..	357.21	27.13	7.6	7.5	5.7

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

ERRATA

Sl. No.	Page No.	Para.	Line	For	Read
1.	1	1.2(a)	25th	Grans	Grants
2.	2	1.2(b)	25th	Remarks	Reasons
3.	6	1.6(b)	2nd	Departments	department
4.	9	2.1(b)	38th	sale	sales
5.	10	2.1(c)	13th	insert comma after	"1968"
6.	16	2.12	8th from bottom	2.20	2.19
7.	19	2.17	32nd	Developments	developments
8.	21	2.19(c)	38th	instead	instead of
9.	26	3.1	20th	district	districts
10.	26	3.2	Table	Decreased	decreased
11.	27	3.3	last	Land	land
12.	27	3.3	last	bassis	basis
13.	29	3.6	33rd	install	instal
14.	31	3.6(iv)	23rd	45.735	45,735
15.	38	3.18	22nd	40	4
16.	38	3.18	23rd	4	40
17.	38	3.18	26th	insert bracket after	1978.
18.	40	3.21	Last	1977	1979
19.	42	4.1	19th	Undetected	undetected.
20.	47	5.4	25th	recover	recovery.
21.	48	5.6	33rd	are	is
22.	49	5.6	1st	proof	London proof.
23.	49	5.7	21st	On	On the
24.	49	5.7	22nd	Exoffio	Ex-officio
25.	50	5.8	16th	was	were
26.	50	5.8	28th	Indian	India
27.	51	5.10	18th	into	into the
28.	53	6.3	19th	Regulations	Regulation

Sl. No.	Page No.	Para.	Line	For	Read
29.	53	6.3	21st	is	in
30.	54	6.4	13th	made	assessed
31.	57	7.1	30th	delete the last word	“during”
32.	57	7.1	34th	directorate	Directorate
33.	61	7.8	4th line from bottom	pro forma	proforma
34.	62	7.9	23rd	insert ‘of’ after ‘sale’	
35.	63	7.10	37th	Commission	Commissioner
36.	66	7.15	16th	minerals	minor minerals
37.	66	7.16	31st	Sales	sales
38.	66	7.16	32nd	Sales	sales
39.	69	Appendix I	Sl. No. 2 Col. 3	insert comma after	‘Companies’
40.	70	Appendix II	Foot Note 2nd line	11	all
41.	70	Appendix II	Foot Note 3rd line	revene	revenue.