

REPORT
OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
FOR THE YEAR

1979-80

REVENUE RECEIPTS
GOVERNMENT OF MAHARASHTRA

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PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Maharashtra for the year 1979-80 is presented in a separate volume. The material in the Report has been arranged in the following order :—

- (i) Chapter I deals with trend of revenue receipts classifying them broadly under tax revenue and non-tax revenue. The variations between Budget estimates and actuals in respect of the principal heads of revenue, the position of arrears of revenue, etc., are also discussed in this chapter.
- (ii) Chapters II to VIII set out certain cases and points of interest which came to notice in the audit of Sales Tax, State Excise, Land Revenue, Taxes on Vehicles, Stamp Duty and Registration Fee and Other Tax and Non-tax Receipts.

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

PRELIMINARY REMARKS

The 1979 Report on Revenue Receipts of the Government of Maharashtra for the year 1979-80 is presented in separate volumes. The material in the Report has been arranged in the following order:—

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

(ii) Chapter II to VIII set out certain taxes and duties assessed throughout the year in the order of Sales Tax, State Excise, Land Revenue, Taxes on Vehicles, Stamp Duty and Registration Fee and Other Tax and Non-tax Receipts.

Particulars brought out in the Report are those which have come to notice during the course of last audit. They are not intended to convey any special collection on the part of administration of the department concerned.

CHAPTER I

GENERAL

1.1. Trend of Revenue Receipts

The total receipts of the Government of Maharashtra for the year 1979-80 were Rs. 1794.33 crores against the Budget estimates of Rs. 1644.56 crores. The receipts during the year registered an increase by 39.07 per cent over those of 1977-78 (Rs. 1290.20 crores) and 17.01 per cent over those of 1978-79 (Rs. 1533.44 crores). Of the total receipts of Rs. 1794.33 crores, revenue raised by the State Government amounted to Rs. 1373.83 crores of which Rs. 980.84 crores were from "Tax Revenue" and Rs. 392.99 crores from "Non-Tax Revenue". Receipts from the Government of India amounted to Rs. 420.50 crores.

1.2. Analysis of Revenue Receipts

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

	1977-78	1978-79	1979-80
	(In crores of rupees)		
I. Revenue raised by the State Government—			
(a) Tax Revenue	712.80	850.81	980.84
(b) Non-Tax Revenue	321.57	368.02	392.99
Total	1034.37	1218.83	1373.83
II. Receipts from the Government of India—			
(a) State's share of divisible Union Taxes.	180.74	194.71	301.59
(b) Grants-in-aid*	75.09	119.90	118.91
Total	255.83	314.61	420.50
III. Total receipts of the State	1290.20	1533.44	1794.33
IV. Percentage of I to III	80.17	79.48	76.57

*For details please see statement number 11-Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Maharashtra.

Of the State's total receipts during 1979-80, 23.43 per cent came from the Union Government. The State mobilised 76.57 per cent.

1.3. Tax Revenue raised by the State

Receipts from tax revenue constituted about 71.39 per cent of the State's own revenue receipts during 1979-80. An analysis of tax revenue under different heads for the year 1979-80 and the preceding two years is given below :—

	1977-78	1978-79	1979-80	Increase (+) Decrease(—) with reference to 1978-79
	(In crores of rupees)			
1. Taxes on Agricultural Income ..	0.10	0.50	0.44	(—) 0.06
2. Land Revenue	14.18	20.85	19.66	(—) 1.19
3. State Excise	47.88	53.75	70.23	(+) 16.48
4. Taxes on vehicles	26.64	31.27	38.07	(+) 6.80
5. Sales Tax	460.85	537.27	626.43	(+) 89.16
6. Stamps and Registration Fees	27.67	37.40	34.26	(—) 3.14
7. Taxes on Goods and Passengers	31.39	36.51	41.82	(+) 5.31
8. Taxes and Duties on Electricity	34.68	46.03	55.13	(+) 9.10
9. Other Taxes and Duties on Com- modities and Services.	51.17	65.25	68.79	(+) 3.54
10. Other Taxes on Income and Expenditure.	18.24	21.98	26.01	(+) 4.03
Total ..	712.80	850.81	980.84	(+) 130.03

1.4. Non-tax Revenue of the State

Forest, Interest receipts, Irrigation, Navigation, Drainage and Flood Control Projects, Power Projects, Mines and Minerals, Housing, Co-operation, Dairy Development, Medical, Public Health, Sanitation and Water Supply and Police are the principal sources of non-tax revenue of the State. Receipts from the non-tax revenue constituted about 28.61 per cent of the revenue raised by the State during 1979-80. An analysis of

the non-tax revenue under the principal heads for the year 1979-80 and the preceding two years is given below:—

	1977-78	1978-79	1979-80	Increase (+) Decrease(—) with reference to 1978-79
(In crores of rupees)				
1. Forest	53.24	52.09	51.83	(—) 0.26
2. Interest	64.11	73.68	86.20	(+) 12.52
3. Irrigation, Navigation, Drainage and Flood Control Projects.	6.22	7.13	9.12	(+) 1.99
4. Power Projects	14.19	16.35	23.85	(+) 7.50
5. Mines and Minerals	2.60	2.63	3.04	(+) 0.41
6. Housing	4.09	8.29	4.98	(—) 3.31
7. Co-operation	17.40	5.23	5.85	(+) 0.62
8. Dairy Development	84.55	100.20	106.10	(+) 5.90
9. Medical	13.22	13.68	14.54	(+) 0.86
10. Public Health, Sanitation and Water Supply.	7.16	8.84	5.41	(—) 3.43
11. Police	3.01	10.17	3.76	(—) 6.41
12. Other Non-Tax Receipts	51.78	69.73	78.31	(+) 8.58
Total	321.57	368.02	392.99	(+) 24.97

1.5. Variations between Budget estimates and actuals

The comparative figures of variations between Budget estimates and actuals of tax revenue and non-tax revenue during the three years ending 1979-80 are given below:—

	Year	Budget Estimates	Actuals	Variation	Percentage of variation
(In crores of rupees)					
A—Tax- Revenue ..	1977-78 ..	752.77	712.80	(—) 39.97	5.31
	1978-79 ..	799.70	850.81	(+) 51.11	6.39
	1979-80 ..	877.62	980.84	(+)103.22	11.76
B—Non-Tax Revenue ..	1977-78 ..	319.84	321.57	(+) 1.73	0.54
	1978-79 ..	334.55	368.02	(+) 33.47	10.00
	1979-80 ..	364.10	392.99	(+) 28.89	7.93

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

Heads of Revenue	Year	Budget estimates	Actuals	Variation (+) Increase (-) Decrease	Percentage of variation
(In crores of rupees)					
(1)	(2)	(3)	(4)	(5)	(6)
1. Taxes on Agricultural Income	1977-78 ..	0.32	0.10	(-) 0.22	68.75
	1978-79 ..	0.07	0.50	(+) 0.43	614.28
	1979-80 ..	0.10	0.44	(+) 0.34	340.00
2. Land Revenue	1977-78 ..	20.91	14.18	(-) 6.73	32.18
	1978-79 ..	21.24	20.85	(-) 0.39	1.84
	1979-80 ..	21.98	19.66	(-) 2.32	10.56
3. State Excise	1977-78 ..	41.33	47.88	(+) 6.55	15.82
	1978-79 ..	54.55	53.75	(-) 0.80	1.47
	1979-80 ..	45.00	70.23	(+) 25.23	56.07
4. Taxes on Vehicles	1977-78 ..	27.82	26.64	(-) 1.18	4.24
	1978-79 ..	30.96	31.27	(+) 0.31	1.00
	1979-80 ..	33.90	38.07	(+) 4.17	12.30
5. Sales Tax	1977-78 ..	500.82	460.85	(-) 39.97	7.98
	1978-79 ..	518.00	537.27	(+) 19.27	3.72
	1979-80 ..	569.53	626.43	(+) 56.90	9.99
6. Stamps and Registration Fees	1977-78 ..	23.61	27.67	(-) 4.06	17.19
	1978-79 ..	24.40	37.40	(+) 13.00	0.53
	1979-80 ..	32.11	34.26	(+) 2.15	6.69
7. Other Taxes and Duties on Commodities and Services	1977-78 ..	57.10	51.17	(-) 5.93	10.39
	1978-79 ..	60.81	65.25	(+) 4.44	7.30
	1979-80 ..	60.90	68.79	(+) 7.89	12.96
8. Forest	1977-78 ..	32.00	53.24	(+) 21.24	66.37
	1978-79 ..	39.71	52.09	(+) 12.38	31.18
	1979-80 ..	45.12	51.83	(+) 6.71	14.87
9. Interest	1977-78 ..	61.14	64.11	(+) 2.97	4.86
	1978-79 ..	64.68	73.68	(+) 9.00	13.91
	1979-80 ..	79.04	86.20	(+) 7.16	9.06

Heads of Revenue	Year	Budget estimates	Actuals	Variation (+) Increase (-) Decrease	Percentage of variation
(In crores of rupees)					
(1)	(2)	(3)	(4)	(5)	(6)
10. Irrigation, Navigation, Drainage and Flood Control Projects	1977-78	.. 11.57	6.22	(-) 5.35	46.24
	1978-79	.. 12.54	7.13	(-) 5.41	43.14
	1979-80	.. 11.31	9.12	(-) 2.19	19.36
11. Power Projects	1977-78	.. 14.38	14.19	(-) 0.19	1.32
	1978-79	.. 13.73	16.35	(+) 2.62	19.08
	1979-80	.. 19.88	23.85	(+) 3.97	19.97
12. Mines and Minerals	1977-78	.. 1.85	2.60	(+) 0.75	40.54
	1978-79	.. 2.55	2.63	(+) 0.08	3.14
	1979-80	.. 2.94	3.04	(+) 0.10	3.40
13. Housing	1977-78	.. 8.86	4.09	(-) 4.77	53.84
	1978-79	.. 5.92	8.29	(+) 2.37	40.03
	1979-80	.. 5.96	4.98	(-) 0.98	16.44
14. Co-operation	1977-78	.. 3.60	17.40	(+) 13.80	383.33
	1978-79	.. 3.27	5.23	(+) 1.96	59.94
	1979-80	.. 4.17	5.85	(+) 1.68	40.29
15. Dairy Development	1977-78	.. 100.35	84.55	(-) 15.80	15.74
	1978-79	.. 108.79	100.20	(-) 8.59	7.89
	1979-80	.. 110.83	106.10	(-) 4.73	4.27
16. Medical	1977-78	.. 15.89	13.22	(-) 2.67	16.80
	1978-79	.. 16.09	13.68	(-) 2.41	14.98
	1979-80	.. 17.64	14.54	(-) 3.10	17.57
17. Public Health, Sanitation and Water Supply	1977-78	.. 6.26	7.16	(+) 0.90	14.37
	1978-79	.. 8.18	8.84	(+) 0.66	0.81
	1979-80	.. 8.67	5.41	(-) 3.26	37.60
18. Police	1977-78	.. 3.98	3.01	(-) 0.97	24.37
	1978-79	.. 4.14	10.17	(+) 6.03	145.65
	1979-80	.. 4.30	3.76	(-) 0.54	12.56

(ii) In the following cases, the variation between the budget estimates and actuals for 1979-80 exceeded ten per cent :—

Principal source	Variation	
	Increase (+)	Decrease (—)
	(In crores of rupees)	
1. Taxes on Agricultural Income	(+)	0.34
2. Land Revenue	(—)	2.32
3. State Excise	(+)	25.23
4. Taxes on Vehicles	(+)	4.17
5. Other Taxes and Duties on Commodities and Services	(+)	7.89
6. Forest	(+)	6.71
7. Irrigation, Navigation, Drainage and Flood Control Projects	(—)	2.19
8. Power Projects	(+)	3.97
9. Housing	(—)	0.98
10. Co-operation	(+)	1.68
11. Medical	(—)	3.10
12. Public Health, Sanitation and Water Supply ..	(—)	3.26
13. Police	(—)	0.54

Reasons for variations are awaited from Government (March 1981).

1.6. Arrears of assessments

1.6.1. The number of assessments finalised by the Sales Tax Department during 1979-80 and those pending finalisation at the end of March 1980 as reported by the Government (October 1980) are indicated below:—

	Number of assessments for disposal	Number of assessments completed during the year	Number of assessments pending as on 31st March 1980	Percentage of
				(3) to (1)
	(1)	(2)	(3)	(4)
Sales Tax	8,93,854	4,33,855	4,59,999	51
Agricultural Income Tax	1,218	571	647	53
Purchase Tax on Sugarcane	1,199	545	654	55
Tax on Professions, Trades, Callings and Employments	2,20,809	59,880	1,60,929	73

The following is the year-wise break-up of the pending cases—

			Sales Tax	Agricultural Income Tax	Purchase Tax on Sugarcane	Tax on Profes- sions etc.
Upto 1974-75	..	..	7,420	306	....	....
1975-76	..	..	15,250	156	1	18,811
1976-77	..	..	51,872	68	16	35,371
1977-78	..	..	1,36,331	68	193	46,268
1978-79	..	..	2,48,596	27	310	60,479
1979-80	..	..	530	22	134	....
Total	..	..	4,59,999	647	654	1,60,929

1.6.2. The number of cases pending finalisation for more than three years as on 31st March 1980 and for preceding two years under Sales Tax was as follows :—

				Number of assessments outstanding for more than three years
As on 31st March 1978	..	..	..	75,948
As on 31st March 1979	..	..	..	66,448
As on 31st March 1980	..	..	..	74,542

The Bombay Sales Tax Act, 1959, does not contain any provision fixing the time limit within which the assessments should be finalised. The Sales Tax Enquiry Committee 1975-76 had recommended a time limit of three years for completion of assessments. The State Government accepted the recommendations and incorporated it in sub-section 9 of section 44 of the Maharashtra Sales Tax Act 1979. This Act, though passed by the Legislature has not yet been implemented by the State Government by notifying the date from which the provisions of the amended Act will take effect (March 1981).

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

1.7. Frauds and evasions of tax

The following table shows the number of cases of evasions of tax detected by the Sales Tax, the Motor Vehicles Tax, the State Excise and the Revenue and Forest Departments and assessments finalised and additional tax demand raised:—

	Sales Tax Department	Motor Vehicles Tax Department	State Excise Department	Revenue and Forest Department* (Land Revenue)
(i) Number of cases pending on 31st March 1979.	4,536	Nil	6	172
(ii) Number of cases detected during 1979-80.	6,065	13,116	Nil	49
Total ..	10,601	13,116	6	221
(iii) Number of cases investigated ..	5,352	13,116	1	120
(a) Number of cases out of (iii) above in which frauds/evasions were established	1,200	13,116	..	63
(b) Number of cases closed after investigation and scrutiny out of (iii) above.	4,152	..	..	52
(iv) Number of cases pending on 31st March 1980.	5,249	Nil	6	169
(v) (a) Number of cases in which prosecutions/penal proceedings were launched.	2	Nil	1	94
(b) (i) Number of cases in which penalty was imposed.	649	13,116	1	3
	(In lakhs of rupees)			
(ii) Total demand raised including penalty.	226.66	48.22	0.25	2.65
(iii) Amount actually collected out of (v) (b) (ii) above.	53.37	48.22	0.04	0.96

(Figures are as furnished by the Department)

*Figures are in respect of ten districts viz. Chandrapur, Parbhani, Ahmednagar Satara, Pune, Dhule, Sholapur Kolhapur, Amravati and Buldhana.

1.8. Uncollected revenue

Arrears of revenue as on 31st March 1980 in respect of some of the departments are shown below:—

Serial No.	Source of Revenue	Amount pending collection	Amount outstanding for more than five years
(1)	(2)	(3)	(4)
(In lakhs of rupees)			
TAX REVENUES			
1.	Land Revenue	245.93	22.56
(Figures are in respect of twelve districts)*			
2.	Sales Tax	5,424.38	1,323.89
3.	Agricultural Income Tax	200.35	129.98
4.	Purchase Tax on Sugarcane and Sugarcane Cess	2,150.96	29.30
5.	Taxes on Professions, Trades, Callings and Employ- ments.	659.79	Nil
6.	State Excise	327.67	244.81
7.	Taxes on Vehicles	1,183.04	768.97
8.	Taxes on Passengers	15.87	10.16
9.	Taxes on Goods	383.13	215.35
10.	Electricity Duty	19.39	7.32
11.	Stamp Duty and penalty	3.73	Nil
12.	Taxes on accommodation in Hotels and Lodging Houses.	6.57	Nil
NON-TAX REVENUES			
13.	Revenue and Forest Department		
	(i) Receipts under the Mineral Concession Rules (Minor Minerals).	104.10	4.79
	(ii) Forest	628.94	78.92
14.	Home Department		
	Prison Department-Factory outstanding dues ..	13.96	0.10
15.	Industries, Energy and Labour Department		
	(i) Fees under Indian Electricity Rules	77.66	4.66
	(ii) Receipts under Mineral Concession Rules (Major Minerals).	61.37	44.27
	(iii) Receipts from Nasik and Chitali Distilleries ..	2.59	2.59
	(iv) Rent of sheds in Industrial Estates	1.77	0.95
	(v) Fees for inspection of lifts	1.92	0.05

*(Chandrapur, Parbhani, Ahmednagar, Satara, Pune, Ratnagiri, Wardha, Dhule, Sholapur, Kolhapur, Amravati and Buldhana).

Serial No.	Source of Revenue	Amount pending collection	Amount outstanding for more than five years
(1)	(2)	(3)	(4)
16	Public Works and Housing Department.	(In lakhs of rupees)	
(i)	Recovery of compensation, service charges, administrative charges and licence fees from hutment dwellers.	7.13	....
(ii)	Receipts from Bombay Development Scheme— Rent from Development Department Chawls.	6.84	0.88
(iii)	Rent of Government buildings and lands ..	37.87	7.51
(iv)	Recovery of building repairs and reconstruction cess.	434.41	62.61
17	Agriculture and Co-operation Department		
	Director of Fisheries		
(i)	Sale proceeds of fish, fish seeds etc. ..	2.98	1.30
(ii)	Lease amount of tanks	1.69	0.22
(iii)	Cost of salt at fish curing yard ..	0.41	0.41
(iv)	Fees from students of Fisheries High Schools	0.06	0.02
	Director of Agriculture		
	Receipts on account of Sale of seeds, sale/hire of agricultural implements, receipts from horticulture, plant protection, seed certification, seed processing, soil conservation, land developments etc.	2,658.61	111.39
	Director of Animal Husbandry—		
(i)	Service and Service fees	12.86	....
(ii)	Poultry Development	5.05	4.96
(iii)	Cattle Development	0.35	Negligible
18	Urban Development and Public Health Department		
(i)	<i>Environmental Engineering Circles</i>		
	Water charges	468.69	2.94
		(Figures are as on 31st October 1979)	
(ii)	<i>Director of Town Planning</i>		
	Receipts on account of town planning and development plans.	2.75	....
(iii)	<i>Director of Employees State Insurance Scheme— Bombay</i>		
	Receipts from Employees State Insurance Corporation of 7/8th share of expenditure incurred by the State Government	609.41	Nil

Serial No.	Source of Revenue	Amount pending collection	Amount outstanding for more than five years
(1)	(2)	(3)	(4)
	(iv) <i>Director of Ayurveda Bombay</i>	(In lakhs of rupees)	
	Sale of Ayurvedic medicines, college fees and hospital receipts and miscellaneous.	5.91	Nil
	(v) <i>Joint Director of Health Services (Health), Pune</i>		
	(a) Hospital fees/Antirabic Treatment Charges/ Maintenance charges of Mental Hospitals (Non-teaching Hospitals).	7.16	3.35
	(b) Sale proceeds of Sera and Vaccine of Vaccine, Institute, Nagpur and Bacteriological analysis charges of Public Health Laboratories.	9.21	0.01
	(vi) <i>Director of Medical Education and Research</i>		
	Tuition fees, Hospital fees, and other receipts ..	16.87	5.84
19	Education and Youth Services Department		
	<i>Director of Education</i>		
	Tuition fees in Government Institutions ..	5.28	0.35
20	Social Welfare, Cultural Affairs, Sports and Tourism Department		
	(i) <i>Director of Cultural Affairs</i>		
	Rent of Government Theatres ..	0.05	....
	(ii) <i>Director of Social Welfare</i>		
	Receipts under Beggars schemes, Certified Schools	2.99	0.21

The following departments of State Government have not furnished complete information in respect of arrears of revenue as on 31st March 1980 (March 1981).

1. *Irrigation Department.*—(Irrigation and Non-irrigation dues).
2. *Agriculture and Co-operation Department.*—(Revenue collected by the Registrar of Co-operative Societies).
3. *Education and Youth Services Department.*—(Revenue collected by the Director of Technical Education).

1.9.1. Analysis of arrears of revenue

An analysis of the arrears of revenue pending collection as on 31st March 1980 in respect of some of the departments is shown below:—

1.9.2. Taxes administered by the Sales Tax Department

(a) *Sales Tax*.—The arrears of sales tax and other taxes administered by the Sales Tax Department represent amounts which were found from the dealer after completion of his assessment. The demand raised but not collected by the department at the end of March 1980 under Sales Tax and Agricultural Income Tax amounted to Rs. 5,424.38 lakhs and Rs. 200.35 lakhs, respectively, as against Rs. 5,343.27 lakhs and Rs. 275.32 lakhs, respectively, as on 31st March 1979. The outstanding dues under Sugarcane Cess and purchase tax on sugarcane rose from Rs. 790.20 lakhs as on 31st March 1979 to Rs. 2,150.96 lakhs as on 31st March 1980 and arrears under tax on Professions, Trades, Callings and Employments increased from Rs. 586.01 lakhs as on 31st March 1979 to Rs. 659.79 lakhs as on 31st March 1980.

Year-wise analysis of outstanding amounts is given below :—

Year	Sales Tax	Agricultural Income Tax	Purchase Tax on Sugarcane and Sugarcane cess	Tax on professions etc.
(In lakhs of rupees)				
Upto 1974-75	1,323.89	129.98	29.30	....
1975-76	230.68	11.68	27.40	....
1976-77	322.94	6.85	95.39	163.63
1977-78	598.17	0.62	203.20	155.06
1978-79	1,015.07	4.22	434.54	166.43
1979-80	1,933.63	47.00	1,361.13	174.67
Total ..	5,424.38	200.35	2,150.96	659.79

According to the information furnished by the Government (October 1980) the amount of arrears as on 31st March 1980 was in the following stages of action :—

Serial No.	Stage of action	Sales Tax	Agricultural Income Tax	Purchase Tax on sugarcane and sugarcane cess
(1)	(2)	(3)	(4)	(5)
(In lakhs of rupees)				
1.	Collection stayed in appeal	1,006.44	144.11	5.78
2.	Claims pending in Civil Courts, High Court and Supreme Court.	264.14	34.62	53.38
3.	Claims pending with custodian of evacuee property, official assignee and liquidator.	260.66	....	....
4.	Revenue recovery certificates returned by the Revenue Authorities for want of attachable assets.	236.62	....	....
5.	Revenue recovery certificates returned by the Revenue Authorities because whereabouts of the dealers not being known and for other reasons.	200.01	....	....
6.	Recovery in progress through Revenue Authorities.	2,258.38	3.74	399.96
7.	Dues recoverable from Co-operative Societies	40.74	1.02	30.32
8.	Dues realisable from Government Offices ..	27.62	....	....
9.	Revenue recovery certificates still to be issued	850.01	0.84	1,434.83
10.	Cases wherein permission was granted to pay dues by instalments or stay granted by Government.	279.76	16.02	226.69
Total ..		5,424.38	200.35	2,150.96

(b) *Profession Tax*.—The arrears under Profession Tax increased from Rs. 5.86 crores as on 31st March 1979 to Rs. 6.60 crores as on 31st March 1980. The reasons for accumulation of arrears as reported by Government (October 1980) are as follows :—

(i) The proposal to delegate powers to Profession Tax Officers and Assistant Commissioners to enable them to recover Profession Tax as arrears of land revenue is still under consideration of Government.

(ii) The list of defaulters could not be prepared by the Profession Tax Officers in time since the entire record relating to the holders of enrolment certificates could not be made available to them by the

Computer Section till October 1979. As a result, the programme of issuing courtesy letters to defaulters could be started from November 1979 only.

(iii) The work of chasing the defaulters could not be done earlier with full speed since the staff sanctioned for this work was appointed from September 1980.

(iv) Some of the enrolment certificate holders have represented that they are not liable for enrolment and that their enrolment certificates should be cancelled. Such cases are under scrutiny.

1.9.3. State Excise

The State Excise duty is payable in advance before the products are removed from the distilleries/breweries/or Bonded premises. As such normally there should not be any arrears of State Excise Revenue. However, as per information furnished by Government (October 1980) the amount of arrears under State Excise increased from Rs. 294.96 lakhs as on 31st March 1979 to Rs. 327.67 lakhs as on 31st March 1980. The increase was mainly due to increase of arrears of licence fee for toddy shops. The arrears of Rs. 327.67 lakhs as on 31st March 1980 consisted of the following items :—

	Amount outstanding as on 31st March 1980	Amount outstanding for more than five years
	(In lakhs of rupees)	
(i) Licence fee for toddy shops	110.39	27.53
(ii) Arrears under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955.	180.52	180.52
(iii) Miscellaneous arrears pertaining to pre-prohibition period	36.76	36.76
Total	327.67	244.81

The amount of Rs. 110.39 lakhs under licence fee for toddy shops have been referred to the Revenue Officers for recovery as arrears of land revenue. The arrears of Rs. 180.52 lakhs under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 were attributed mainly to stay order granted by the High Court in respect of some of the big manufacturers who have preferred miscellaneous petitions in the High Court of Bombay against demands raised by the department and also due to the revision application by some other manufacturers pending with Government of India (Rs. 179.70 lakhs). As regards remaining arrears of Rs. 36.76 lakhs from pre-prohibition period, instructions have been

issued again (February 1980) to all Collectors and Divisional Commissioners concerned to review pending cases and expedite recovery proceedings.

1.9.4. Motor Vehicles Taxes

Out of the uncollected revenue of Rs. 1,183.04 lakhs as on 31st March 1980, under the motor vehicles tax, Rs. 768.97 lakhs is outstanding for more than five years which includes an amount of Rs. 554.92 lakhs pertaining to the period for more than four quarters

Reasons for accumulation of arrears under Motor Vehicles Taxes as communicated by Government (October 1980) are as follows :—

- (i) Non-posting of payments already received.
- (ii) Non-posting of migration of vehicles to other Regions or States.
- (iii) Non-posting of cancellation of registration of vehicles.
- (iv) Failure to intimate scrapping of vehicles, their removal to other States, by the owners.
- (v) Non-payment of taxes by the owners of vehicles whose whereabouts are not known and in which cases arrears of tax are computed for all the subsequent years of default.

(vi) Non-payment of taxes by the owners of the vehicles.

Although the Public Accounts Committee (1978-79) in para No. 10.10 of its Fifth Report had recommended that Government should make an all out effort to tackle the problem of ever increasing arrears of the department and ensure up-to-date posting in ledger cards, large amounts have continued to remain outstanding in the books of the department.

1.9.5. Electricity Duty

Out of uncollected revenue of Rs. 19.39 lakhs as on 31st March 1980, the amount of Rs. 7.32 lakhs which is outstanding for more than five years consisted of the following items:—

	Amount (in lakhs of rupees)
(i) Dues from parties who had disputed the demands and filed suits in the courts which are pending decisions.	0.61
(ii) Dues from firms/companies in liquidation and in respect of which claims have been lodged with the official liquidator.	2.06
(iii) Dues from mills which are now run by National Textile Corporation and in respect of which claims had been lodged with the Commissioner of Payments.	2.82
(iv) Others	1.83
Total	7.32

1.9.6. Fees under Indian Electricity Rules

The arrears of fees increased from Rs. 67.20 lakhs as on 31st March 1979 to Rs. 77.66 lakhs as on 31st March 1980. Out of the arrears of Rs. 77.66 lakhs, 56.16 per cent of the arrears are due from the agricultural consumers. The ban on disconnection of electricity supply in case of defaulters had since been lifted by Government and the licensees had been directed to take suitable action against the defaulting agricultural consumers.

1.9.7. Mines and Minerals

The arrears of Rs. 165.47 lakhs as on 31st March 1980 were at the following stages of action:—

	Amount (In lakhs of rupees)	
	Industries, Energy and Labour Department	Revenue and Forests Department
	Major Minerals	Minor Minerals
1. Stay orders issued by courts	17.43	35.43
2. Stay orders or matters pending with Government	2.31	5.33
3. Defaulting companies liquidated	1.87	0.05
4. Whereabouts of defaulters not known	0.04	0.21
5. Revenue recovery certificates sent to Collectors outside the State.	0.86	....
6. Revenue recovery certificates sent to Collectors within the State.	1.41	0.26
7. Recovery in progress	37.45	62.82
Total	61.37	104.10
Grand Total	165.47	

1.9.8. Repairs and reconstruction cess

Out of the arrears of Rs. 434.41 lakhs as on 31st March 1980, the amount of Rs. 62.61 lakhs was outstanding for more than five years. The arrears were attributed by Government (October 1980) to non-settlement of various disputes, such as exemption from Repairs Cess, change of categories, demolition, acquisition by the Board Authorities. Some cases were pending in the courts also.

1.9.9. Prison Department*Factory outstanding dues*

Out of the arrears of Rs. 13.96 lakhs as on 31st March 1980 major amounts as reported by Government (October 1980) were as follows:—

	Amount (In lakhs of rupees)
(i) Amounts due from Government departments on account of invoice adjustments and credit sales.	11.07
(ii) Amounts due for Semi-Government bodies ..	2.22
(iii) Amounts due from staff members and private parties ..	0.67
Total ..	13.96

1.9.10. Forest

For supplying timber and other forest produce to the indentors, full payments in respect of the timber and other forest products are required to be collected before despatch and as such normally there should not be any arrears on account of supply of timber and other forest products. However, as per information furnished by Government the amount of arrears as on 31st March 1980 was Rs. 628.94 lakhs.

The break-up of the arrears was as follows:—

Category	Amount (In lakhs of rupees)
(i) Amount outstanding in the books of Divisional Forest officers for want of receipted challans from the treasuries.	35.55
(ii) Amount referred to Revenue Authorities ..	41.87
(iii) Amount pending for finalisation of court cases ..	8.90
(iv) Amount to be recovered from Forest Labourers Co-operatives.	34.57
(v) Amount to be recovered from Contractors ..	459.64
(vi) Miscellaneous dues	48.41
Total ..	628.94

1.9.11 Agriculture and Co-operation Department

Receipts on account of sale of seeds, horticulture, plant protection, seed certification, soil conservation, etc. Director of Agriculture.—The arrears of Rs. 2,658.61 lakhs as on 31st March 1980 consisted of the following items of receipts.

	Amount (In lakhs of rupees)
1. Soil conservation	2,604.99
2. Sale of seeds	29.97
3. Seed certification	1.60
4. Agricultural Farms	1.66
5. Bulldozing Charges	8.05
6. Shortages of tools and plants	0.84
7. T. C. D. Farms	0.27
8. Horticulture	0.53
9. Seed processing charges	0.12
10. Quality control	0.18
11. Miscellaneous charges	1.49
12. Plant protection	3.67
13. Agricultural implements	4.24
Total	2,658.61

1.10. Writes-off, waivers and remissions of revenue

(a) *Sales Tax Department.*—Under Section 45 of the Bombay Sales Tax Act, 1959, the Commissioner of Sales Tax is empowered to remit the whole or any part of the tax payable by any dealer provided that if the amount to be remitted exceeds two thousand rupees, the remission of the excess is not to be made without the previous sanction of the State Government. Further, under departmental instructions powers of write-off of tax under Bombay Sales Tax Act, 1959, Central Sales Tax Act, 1956, upto specified monetary limits have also been delegated to the officers

of the Sales Tax Department. During 1979-80, the sales tax demand aggregating Rs. 9.50 lakhs in 329 cases was written off by the department. Reasons for the writes-off as reported by Government (October 1980) are mentioned below:—

Reasons	Bombay Sales Tax Act, 1959		Central Sales Tax Act, 1956	
	Number of cases	Amount (In lakhs of rupees)	Number of cases	Amount (In lakhs of rupees)
1. Assessee died leaving behind no assets.	27	0.95	1	*
2. Assessee did not possess any attachable assets.	128	3.44	6	0.02
3. Assessee not traceable ..	106	4.01	6	0.02
4. Assessee/Companies went into liquidation.	48	0.86	..	..
5. Assessee left India ..	6	0.19	1	0.01
Total ..	315	9.45	14	0.05

(b) *Motor Vehicles Tax Department.*—Under the Bombay Motor Vehicles Tax Rules, 1959, the Transport Commissioner is empowered to waive penalty for any default in payment of tax if the defaulter applies for such waiver in writing and the Commissioner is satisfied that (i) such person for reasons beyond his control could not remit the tax due within the period, or

(ii) the penalty payable was disproportionate to the amount of tax due or

(iii) the remittance of tax was short of the amount of tax due.

During 1979-80, the department waived penalty of Rs. 1,29,663 in 125 cases.

(c) *Prohibition and Excise Department.*—The Commissioner, Pune Division, Pune, under the powers vested in him under section IV of the Manual of Financial Powers, 1964, has waived the demand for excise duty amounting to Rs. 5,65,235 pertaining to pre-prohibition period *i.e.*

*Negligible.

prior to 1949 in two cases under the Bombay Prohibition Act, 1949. It was reported by the Government (October 1980) that the amount was written off since there were no properties from which these arrears could be recovered.

1.11. Cost of exemptions

(a) *Motor Vehicles Taxes*.—The number of cases in which exemption from payment of taxes was granted by the department during 1979-80 and approximate money value involved is shown below :—

The Act empowering the grant of exemption	Purpose of granting exemption	Number of cases	Amount involved (In lakhs of rupees) (Approximately)
(1)	(2)	(3)	(4)
(i) The Bombay Motor Vehicles Tax Act, 1958	For use of vehicles for agricultural operations or for charitable purposes.	47,752	422.78
(ii) The Maharashtra Tax on Goods (Carried by Road) Act, 1962	For carriage of goods (i) on specified inter-State routes (ii) in furtherance of any educational, medical, philanthropic or similar objects or (iii) for purposes specified in the notification.	19,421	95.91
(iii) The Bombay Motor Vehicles (Taxation of Passengers) Act, 1958	For carriage of passengers (i) within municipal or adjacent areas (ii) on certain specified inter-State routes and (iii) for furtherance of any educational, medical, philanthropic, or other objects.	1,158	58.49

(Figures are as furnished by the department)

(b) *Social Welfare, Cultural Affairs, Sports and Tourism Department*.—During 1979-80, the Commissioner of Police, Greater Bombay and the Secretary, Social Welfare, Cultural Affairs, Sports and Tourism Department granted exemption from payment of entertainments duty for charitable purposes in respect of 152 cases involving an amount of Rs. 5.04 lakhs.

1.12. Cost of collection

Expenditure incurred in collecting the receipts in respect of certain major heads of revenue during the year 1979-80 and two preceding years as furnished by the department is given in Appendix I to this Report.

1.13.1. Outstanding audit objections/inspection reports

(a) The offices entrusted with the duties of assessment and collection of revenue are visited by the inspection parties of the Audit Office periodically. Important irregularities and defects in assessment, demand and collection of receipts noticed during local audit are communicated through the inspection reports to the departmental officers, heads of the departments and also to Government wherever necessary. Government has prescribed that the first replies to the inspection reports should be furnished to the audit office within one month from the date of receipt of the inspection report. Further, with a view to expediting compliance of the audit observations, statements containing audit paras which have remained outstanding for more than six months as on 31st March and 30th September are also issued by the audit office by 15th May or 15th November every year to Government as well as to the Heads of the Departments.

As at the end of September 1980, 2,748 inspection reports containing 10,326 audit observations involving Rs. 1,222.19 lakhs were not settled and outstanding for more than six months. Yearwise break up of the outstanding inspection reports and number of paragraphs are as under : (Receiptwise break up has been given in Appendix II to this Report)

Year	Number of Inspection reports	Number of paragraphs	Money value (In lakhs of rupees)
upto 1976-77	812	2,639	66.78
1977-78	481	1,469	30.98
1978-79	603	2,380	239.60
1979-80	852	3,838	884.83
Total	2,748	10,326	1,222.19

The oldest outstanding inspection report dated back to the year 1965-66 and 58 inspection reports containing 105 paragraphs were more than five years old. In respect of 140 inspection reports, even first replies have not been received by the audit office (December 1980).

The departmentwise breakup of the outstanding inspection reports and audit objections is as follows :—

Name of the Department	Number of Reports	Number of Paras	Money value (In lakhs of rupees)
1. Revenue and Forests	1,271	4,869	1,12 .87
2. Finance	726	3,083	67.70
3. Home	563	1,973	25.50
4. Industries, Energy and Labour Department.	41	83	0.10
5. Other Departments	147	318	0.02
Total	2,748	10,326	1,222.19

(b) The Revenue and Forests Department is responsible for clearance of 1,271 inspection reports containing 4,869 paras involving Rs. 1,128.87 lakhs.

Some of the major irregularities commented in these paras which are still outstanding are indicated below :—

1.13.2. Land Revenue

(i) According to Section 67 of the Maharashtra Land Revenue Code, 1966, the rate of land revenue varies with reference to the use of land e.g. agriculture, residence, industry, commerce etc. Change in use of land from one purpose to another necessitates revision of land revenue on the land. In respect of lands given on lease, rent as fixed in the lease, is payable. In 513 paragraphs audit has noticed non-levy of appropriate assessment amounting to Rs. 123.11 lakhs while in 51 paragraphs under-assessment of land revenue/rent to the extent of Rs. 43.18 lakhs has been pointed out. In 39 paragraphs non-renewal of leases/licences for further periods has been pointed out.

(ii) According to Section 116 of the Maharashtra Land Revenue Code, 1966, the non-agricultural assessment once fixed remains in force for a period of 15 years (earlier it was 30 years). On expiry of this period, the assessment is required to be revised. In 208 paragraphs it has been pointed out that although guarantee period for old assessment had already expired, no action had been taken to revise the assessment and recovery continued at old rates.

(iii) Under Chapter VII of the Maharashtra Land Revenue Code, 1966, standard rates for non-agricultural assessment are required to be fixed. The standard rate as fixed remains in force for a period of 10 years, on expiry whereof, the same is required to be revised. In 52 paragraphs audit has brought to notice that standard rates were not fixed and 40 paragraphs deal with non-revision of standard rates, though over-due. Consequently the assessments are determined at old rates which have no relevance to the current land values.

(iv) When land is granted in occupancy rights, occupancy price of land is recoverable. In 45 paragraphs audit has pointed out non-recovery of occupancy price amounting to Rs. 4.71 lakhs.

(v) According to Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961, and Bombay Village Panchayats Act, 1958, cess at prescribed rates is leviable on every rupee of land revenue. In 65 paragraphs audit has pointed out non-recovery of cess amounting to Rs. 142.53 lakhs. Similarly short levy of Employment Guarantee Cess amounting to Rs. 32.38 lakhs was also brought to notice in 27 paragraphs.

1.13.3. Stamp Duty and Registration Fees

(i) The amount of stamp duty and registration fee leviable on an instrument is determined with reference to the rates prescribed in Schedule-I and Table of Fees appended to Bombay Stamp Act, 1958 and Indian Registration Act, 1908 respectively. In 243 paragraphs short levy of stamp duty and registration fee of Rs. 5.10 lakhs was reported by audit.

(ii) Government has remitted stamp duty and registration fee in respect of certain categories of instruments subject to prescribed terms and conditions. In 251 paragraphs audit pointed out that remission was granted without observing the terms and conditions involving remission of revenue amounting to Rs. 29.57 lakhs.

(iii) According to Article 34 of Schedule-I to the Bombay Stamp Act, 1958, on an instrument of gift, stamp duty is payable on consideration equal to the value of the property which is the subject matter of the gift. In 211 paragraphs audit has noticed that consideration for the purpose of stamp duty was under valued.

1.13.4. Entertainments Duty

(i) In 27 paras audit has noticed short levy of entertainments duty of Rs. 1.41 lakhs.

(ii) The Bombay Entertainments Duty Act, 1923 provides for recovery of security deposit from the theatre-owners who pay entertainments duty in cash. Instances of short deposits of security were pointed out in 46 paragraphs involving Rs. 3.09 lakhs.

(iii) 76 paras bring out delays in payment of entertainments duty. Under the Bombay Entertainments Duty Act, 1923, failure to pay entertainments duty in time constitutes an offence which can be compounded by payment of composition fee. In 12 talukas the composition fee computed as per the instructions issued by the department worked out to Rs. 0.50 lakh.

(iv) Audit also noticed that the work of reconciliation of receipts with treasuries was not properly attended to by the departmental officers. In 30 talukas reconciliation was not carried out since 1972-73 onwards. Failure to carry out proper reconciliation has been brought out in 77 paras.

1.13.5. Forest Receipts

The East Chanda Division, Chandrapur has the highest number of inspection reports (28) pending, followed by South Chanda, West Chanda, Nagpur and Thane Divisions each having 23 inspection reports pending with the oldest inspection reports pertaining to the year 1965-66 (South Chanda Division). The broad categories of irregularities covered under the outstanding inspection reports are (i) outstanding revenue (Rs. 537.00 lakhs), (ii) offence cases (Rs. 29.00 lakhs), (iii) incorrect assessment of yield, (iv) loss of forest produce, (v) illicit cutting, (vi) lease of forest land and (vii) unutilised grant-in-aid (Rs. 3.17 lakhs) to be recovered from Labour Co-operative Societies etc.

A separate cell for settlement of outstanding inspection reports was formed in the administrative department as well as in the office of the Chief Conservator of Forests. Periodical visits by the officers of the cell to divisions/audit office are contemplated for speedy settlement of inspection reports but in spite of this, pendency of inspection reports/paragraphs is increasing.

CHAPTER II

SALES TAX

2.1. Results of test audit

The test audit of Sales Tax assessments and other records conducted between July 1979 and June 1980 revealed under-assessments of tax of Rs 36.60 lakhs in 1,099 cases and over-assessments of Rs. 1.53 lakhs in 3 cases.

The under-assessments broadly fall under the following categories:—

			Number of assessments	Amount (In lakhs of rupees)
1. Incorrect allowance of set-off	..	..	360	8.72
2. Non-levy or short levy of tax	..	..	342	10.83
3. Non-levy or short levy of penalty	..	..	251	12.39
4. Omission to forfeit tax irregularly collected	..	..	55	0.70
5. Other reasons	..	..	91	3.96
		Total	1,099	36.60

A few important cases of short-levy of tax are mentioned in paragraphs 2.2 to 2.22.

2.2. Incorrect grant of set-off

Under the Bombay Sales Tax Act, 1959 and the rules made thereunder, a manufacturing dealer can claim set-off of taxes paid or deemed to have been paid on the raw materials used in the manufacture of taxable goods for sale in Maharashtra State. If the taxes on raw materials are not paid

separately but are included in the purchase price itself the quantum of set-off admissible is worked out according to prescribed formulae and is reduced by two per cent of purchase price upto 14th April 1974, raised to three per cent from 15th April 1974 onwards. If the manufactured goods are transferred to branches or agents outside the State of Maharashtra otherwise than as sale, the quantum of set-off is reduced in the proportion which the value of goods transferred to branches outside the State bears to the total value of taxable goods sold. Where the manufactured goods include tax-free goods and the quantum of raw materials used in the manufacture of taxable goods cannot be ascertained, set-off is allowed in the proportion of taxable goods to total sales. If the taxable goods are sold to Central or State Government for official use, set-off is admissible on the taxes in excess of four per cent of sale price.

A registered dealer is also entitled to set-off if the goods are resold by him in the same form in which they are purchased either in the course of inter-State trade or commerce or exported out of India.

The Act also provides that the set-off thus worked out can be further reduced by the assessing officer upto one-third thereof, if he is satisfied that the average price of similar goods sold by the manufacturers, importers, or producers was less than the purchase price paid by the dealer by an amount more than ten per cent of the purchase price and or any other adequate reason to be recorded in writing by the assessing officer.

In the course of audit, it was noticed that set-off was allowed in excess to twelve dealers for different spells between 1st April 1972 and 31st December 1977 leading to under assessment of tax of Rs. 4.75 lakhs (including penalty of Rs. 0.73 lakh). The grant of excess set-off was owing to one or more of the following reasons:—

- (a) Incorrect computation of the ratio of branch transfers to total taxable sales ;
- (b) Incorrect reduction of the purchase price ;
- (c) Non-exclusion of tax-free sales in the computation of the ratio of branch transfers to taxable sales ;
- (d) Erroneous treatment of receipts of sales of exhibition rights of motion pictures as sale price of goods sold ;
- (e) Non-reduction of the purchase price at the prescribed rate even though the purchase price was inclusive of tax ;

(f) incorrect computation of set-off in respect of sales made to Government for official purposes;

(g) non-furnishing of the declarations in the prescribed form ;

(h) adoption of incorrect rate of tax on the raw materials purchased and used in manufacture ;

(i) non-reduction of set-off to one-third thereof in a case where set-off was computed on the purchase price which included excise duty but on which no tax was paid by the manufacturer at the time of purchase.

All these cases were reported to Government between February 1980 and September 1980. Government accepted the objections in seven cases and stated (April 1980 to November 1980) that an amount of Rs. 1.49 lakhs was recovered from six dealers. Reply in respect of the remaining cases and particulars of recovery of the balance amount are awaited (March 1981).

2.3. Failure to carry out cross verification of transactions

(a) *Turnover of non-resident dealer escaping assessment.*—A textile mill of Ahmedabad imported cotton from Sudan. While the commodity was in Bombay, it was sold to two textile mills (registered dealers) of Ahmedabad at Rs. 11,34,851 in November 1973. But the sales in question were not assessed to tax in the assessment of the selling textile mill for the relevant period as the goods were not within the State of Gujarat at the time of sale. As the transactions appeared as taxable in Maharashtra State, it was reported by Audit to the Commissioner of Sales Tax, Maharashtra, in September 1977 to investigate whether the sales effected in Maharashtra by the textile mill were liable for taxation. After investigation it was revealed that the textile mill of Ahmedabad was not registered as a non-resident dealer and the transactions were sales in the course of inter-State trade and commerce liable to tax under the Central Sales Tax Act, 1956. Accordingly, the department raised demand of Rs. 44,045 including a penalty of Rs. 10,000 for failure to obtain registration.

The matter was reported to Government in July 1980. Government stated (January 1981) that after making a part payment of Rs. 8,800 the dealer had gone in appeal. Further developments are awaited (March 1981).

(b) *Turnover escaping tax*—Under the Bombay Sales Tax Act, 1959, casual sales which were not in the regular course of business of a registered dealer were not subject to tax prior to 15th January 1975. However, such sales were to be considered as purchases from unregistered dealer in the hands of the purchasing dealer and either subjected to purchase tax if used within the state, in the manufacture of taxable goods or included in the taxable turnover in the case of resale. According to a decision dated 4th March 1971 of the Maharashtra Tribunal sales of cotton by textile mills are treated as casual sales.

(i) In the course of audit of assessment records of two textile mills it was noticed (July 1979 and August 1980) that sales of cotton worth Rs. 38.23 lakhs and staple fibre worth Rs. 2.28 lakhs made to six textile mills in Bombay were allowed as casual sales between January 1971 and March 1974. On co-relation of the assessment records of the purchasing mills it was revealed that the purchases of cotton were not taxed in their hands even though the cotton was used in manufacture. This resulted in non-levy of purchase tax of Rs. 1.14 lakhs.

When this was pointed out in audit (July 1979 and August 1980) the department stated (August 1980) that in respect of three textile mills action could not be taken as the cases had become time-barred; in respect of one case the department raised a demand of Rs. 1,671; action taken by the department in respect of the remaining two mills is awaited (March 1981).

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

(ii) In yet another case it was noticed (July 1979) that sales of polyester fibre during the years 1973 and 1974 by a textile mill of Bombay to a reseller were allowed as casual sales. A cross checking revealed that as the assessing officer of the purchasing dealer was not intimated by the assessing officer of the textile mill to tax the corresponding purchases, the sales in the hands of the purchasing dealer were allowed as resales treating them as purchases from a registered dealer.

When this was pointed out in audit (July 1979), the department assessed to tax the purchases for the two years 1973 and 1974 and levied tax of Rs. 21,685.

The matter was reported to Government in August 1980. Government stated (February 1981) that the dealer had made a part payment of

Rs. 15,500 and had preferred an appeal before the Maharashtra Sales Tax Tribunal. Further progress is awaited (March 1981).

2.4. Underassessment due to incorrect classification of goods

Under the Bombay Sales Tax Act, 1959, the tax leviable on any goods is determined with reference to the entry in the Schedule applicable to the goods. Industrial cooking ranges operated on Liquefied Petroleum Gas (Bottled) fall under stoves. Entry 7A of Schedule 'E' prescribes levy of sales tax at 6 per cent and general sales tax at 3 per cent on all kinds of stoves, pressure lamps, incandescent lanterns and lamps and cookers and components, parts and accessories thereof including gas mantles.

In the course of audit it was noticed (June 1977) that a Bombay dealer was manufacturing industrial cooking ranges operated on Liquefied Petroleum Gas (Bottled) and the goods were incorrectly taxed under the residual entry E-22 levying sales tax at 3 per cent and general sales tax at 3 per cent instead of treating them as stoves and levying tax accordingly.

When this was pointed out in audit (June 1977) the department revised the assessments for 3 years (1969-70, 1970-71, 1971-72) and raised additional demand of Rs. 16,362 (June 1979).

When the matter was reported to Government in February 1980 Government stated (October 1980) that the entire demand of Rs. 16,362 was recovered.

2.5. Underassessment of tax on "texocise"

Under the relevant provisions of the Bombay Sales Tax Act, 1959, "Texocise", manufactured from castor oil is liable to tax at the rate of 8 per cent (5 per cent sales tax plus 3 per cent general sales tax from 15th April 1974).

In the course of audit of Sales Tax Officer II, Circle II, Nagpur, it was noticed (February 1980) that a manufacturer dealing in textile chemicals, purchased castor oil (falling under entry 6A of Schedule D to the Act and liable to general sales tax at the rate of 3 per cent), converted it into "texocise" and sold it (value Rs. 2,63,696) during 1974 and 1975. These sales of "texocise" were treated as resales of tax paid castor oil and incidence of tax on "texocise" as laid down in the Act was not considered. This resulted in underassessment of tax amounting to Rs. 13,185. Besides this, the dealer was also allowed incorrect set-off to the extent of Rs. 1,766.

On this being pointed out (February 1980), the department stated (June 1980) that the case for the year 1974 was barred by limitation and in respect of the case for the year 1975, necessary action was being taken. Further developments are awaited (March 1981).

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

2.6. Non-application of the determination order passed by the Commissioner of Sales Tax.

Under the Bombay Sales Tax Act, 1959, the tax leviable on any goods is determined with reference to the entry in the schedule applicable to the goods. Whenever any dispute arises as regards the rate of tax applicable to any particular commodity the matter will be decided by the Commissioner of Sales Tax. Accordingly, 'Dipentine oil' was determined by the Commissioner of Sales Tax in June 1972 as covered by entry 39 of schedule C attracting sales tax at 12 per cent.

In the course of audit, it was noticed (May 1975) that "dipentine oil" was treated as covered by the residual entry attracting sales tax at 3 per cent and general sales tax at 3 per cent.

When this incorrect classification was pointed out in audit (May 1975) the department rectified the assessment and raised additional demand of Rs. 10,558. The matter was reported to Government in February 1980. Government stated (January 1981) that the dealer had made part-payment of Rs. 10,500 and had preferred an appeal and obtained stay-order. Further developments are awaited (March 1981).

2.7. Short levy of General Sales Tax

Under the Bombay Sales Tax Act, 1959, sales tax is a first point levy but the levy of general sales tax can be postponed if the purchasing dealer produces a declaration in Form 16 to the effect that the goods purchased would be re-sold. Such a dealer is required to obtain necessary approval from the department to make use of Form 16 and is called a licensed dealer. Under the provisions of the Act, subsequent sales made by such a dealer attract general sales tax. Such a licensed dealer may also purchase goods by paying general sales tax, if he does not produce Form 16 to his vendors. In that case he can get set-off of general sales tax paid on purchases.

In the course of audit (September 1977), it was noticed that sales of Rs. 37,46,625 made by a licensed dealer were treated as 'resale' by him and the general sales tax was not levied on these transactions.

On this being pointed out in audit (September 1977) the department re-examined the case and levied additional demand of Rs. 45,256 (January 1980) after allowing the set-off due. Particulars of recovery are awaited (March 1981).

The matter was reported to Government in May 1980; Government stated (October 1980) that the dealer had filed an appeal and stay was granted by the Deputy Commissioner of Sales Tax. Further developments are awaited (March 1981).

2.8. Incorrect deletion of purchase tax on raw materials used in job-work

Under the Bombay Sales Tax Act, 1959, a registered dealer holding recognition can purchase raw materials at the concessional rate of 2 per cent (raised to 3 per cent with effect from 15th April 1974) on furnishing a declaration that these goods would be used by him within the State in the manufacture of taxable goods for sale. If however, the goods so purchased at the concessional rate are used for any purpose other than manufacture of taxable goods for sale, the dealer becomes liable to purchase tax for contravention of recitals of declaration.

In the course of audit it was noticed (March 1979) that in the case of a Bombay dealer manufacturing gears, the items of stores, oil and fuel purchased by him during the year 1973-74 on declarations at concessional rate of tax were used in manufacture as well as in job-work. The scrap obtained while cutting gears was also sold. The assessing officer levied (April 1977) purchase tax for contravention of recitals of declarations on the materials used in job-work and forfeited tax collected on sale of scrap. Aggrieved by the assessment order, the dealer preferred (July 1977) appeal for the assessment year 1973-74. While deciding the appeal for the year 1973-74 the Assistant Commissioner deleted (October 1977) the forfeiture of tax and also deleted the purchase tax levied on the goods used in job-work.

When the incorrect deletion of purchase tax in the appeal order was pointed out (March 1979) in audit, the department revised (March 1980) the order and raised an additional demand of Rs. 16,400 after following the formalities.

The matter was reported to Government in August 1980; Government stated (January 1981) that the entire amount of Rs. 16,400 had been recovered.

2.9. Non-forfeiture of excess collection

Under the Bombay Sales Tax Act, 1959, any amount collected by a dealer by way of tax in excess of the amount of tax payable by him is forfeited to Government.

In the course of audit it was noticed (April, June and November 1979) that in three cases such collections were not forfeited.

When this was pointed out in audit, the assessments were rectified and additional demand of Rs. 29,665 was raised.

The matter was reported to Government in August 1980. Government stated (December 1980 and March 1981) that the entire amount of Rs. 29,665 had been recovered from the three dealers.

2.10. Excess credit allowed to the dealer

Under the Bombay Sales Tax Rules, 1959, while filing the returns, a registered dealer is required to pay taxes on the basis of self-assessment. After the year is over, the Sales Tax Officer, consolidates the returns filed by the dealer and makes the formal assessment order of taxes due from the dealer. If the taxes already paid by the dealer are found to be less than the tax assessed, a demand notice is issued for payment of additional taxes within the prescribed time. If the taxes already paid are found to be more than the taxes due, the excess payment is refunded to the dealer.

In the course of audit it was noticed (December 1979) that in the case of a Bombay dealer, the taxes paid by him along with the return were Rs. 39,42,520 but Rs. 39,66,790 were credited as total tax paid by him in the assessment order. This resulted in short levy of tax of Rs. 24,270. Evidently, there was no system to correlate the receipted challans before affording credit to a dealer.

When this was pointed out (December 1979) in audit, the department raised (February 1980) additional demand of Rs. 24,270. When the matter was referred to Government in April 1980, Government stated (October 1980) that the entire amount has been recovered from the dealer.

2.11. Double accountal of credit

Under the Bombay Sales Tax Act, 1959, and the rules framed thereunder, dealers are required to file periodical returns, pay tax on the basis of the returns into Government treasury and submit the treasury challans along with returns. On finalisation of assessment, credit is given for

payments made on the basis of the copy of the receipted challan and demand notice is issued for the balance dues. The payment of tax is watched through the Demand and Collection Register.

In the course of audit it was noticed (May 1980) that in the case of a dealer, credit of Rs. 14,836 was given twice, once at the time of finalisation of assessment and again towards the balance of assessed dues resulting in the grant of credit of Rs. 14,836, twice.

The matter was reported to Government in September 1980. Government accepted the objection and stated (January 1981) that a revenue recovery certificate for Rs. 14,836 had been issued by the Recovery Officer to recover the amount as arrears of land revenue. Particulars of recovery are awaited (March 1981).

2.12. Short levy of purchase tax on sugarcane

Under the Maharashtra Purchase Tax on Sugarcane Act, 1962, the total taxes for the month of November 1976 payable in the case of one sugar factory (Ahmednagar) were incorrectly worked out to Rs. 8,95,009 instead of Rs. 9,06,009. This resulted in short levy of tax of Rs. 11,000.

When this was pointed out (January 1979) in audit, the department revised the assessment and raised additional demand of Rs. 11,000 (January 1980).

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

2.13. Incorrect allowance of local sales as sales of goods in transit from one State to another

Under the Central Sales Tax Act, 1956, when a sale in the course of inter-State trade or commerce is made by transfer of documents of title to such goods during their movement from one State to another, all subsequent sales to registered dealers made while the goods are in movement are exempt from tax, provided such goods are included in the registration certificate of the purchasing dealer for the purpose of making purchases at the concessional rate under the Act *ibid*. When once the delivery of the goods is taken at the destination, they cease to be in transit and subsequent sales to dealers within the State are taxable under the State Act.

Goods valued at Rs. 1,42,914 were consigned from Gujarat State by a dealer in Bombay and were sold while in transit to the dealer at Jalna (Maharashtra State). The dealer of Jalna took delivery of the goods and sold them in turn to another dealer in Maharashtra. However, the sales made by the Jalna dealer were allowed as sales while in transit and no tax was levied thereon.

When it was pointed out in audit (January 1979) that the Jalna dealer effected the sales after taking delivery of it and therefore, the sales amounted to local sales and not inter-State sales, the department rectified the assessment and raised an additional demand of Rs. 12,992 (May 1979). A penalty of Rs. 10,000 was also levied for furnishing incorrect particulars of the transaction.

The matter was reported to Government in June 1980; Government stated (March 1981) that the dealer had made part payment of Rs. 7,500 and had preferred an appeal to the Assistant Commissioner (Appeal) and obtained stay order. Further developments are awaited. (March 1981).

2.14. Omission to levy penalty under the Central Sales Tax Act, 1956, for contravention of recitals of declarations

Under the Central Sales Tax Act, 1956, a registered dealer can purchase goods of the class specified in this certificate of registration at the concessional rate of 3 per cent (4 per cent from 1st July 1975) on furnishing a declaration in form 'C' to the selling dealer. The recitals of this declaration require that the purchasing dealer should use these goods in the manufacture or processing of goods for sale or in mining or in the generation or distribution of electricity or any other form of power. If the dealer fails to make use of the goods purchased for any such purpose he becomes liable to penalty reckoned at $1\frac{1}{2}$ times the rate of tax.

Similarly, under the provision of the Bombay Sales Tax Act, 1959 and the rules made thereunder, if the goods purchased earlier on furnishing prescribed declarations are not resold or despatched in the manner indicated in the declaration within the period certified, the purchasing dealer is liable to pay in addition to purchase tax, a sum by way of penalty not exceeding the amount of tax, for contravention of recitals of declarations, provided the purchase price of goods is included in his turnover of purchases.

(a) In the course of audit it was noticed (December 1977) that a dealer used the purchases made on 'C' form during the year 1973-74 in job-work and was therefore, liable to penalty for the contravention of recitals of the declaration under the Central Act. But no action was taken by the department to levy penalty.

On this being pointed out (December 1977) in audit, the department levied penalty of Rs. 27,785.

The matter was reported to Government in July 1980. Government while accepting the objection stated (March 1981) that the party had preferred an appeal and had obtained stay-order. Further developments are awaited (March 1981).

(b) Further in the course of audit of assessment records of a dealer of Pune it was noticed (November 1978) that though purchase tax was levied for contravention of recitals of declaration under the State Act, no penalty for contravention was levied on the plea that the dealer had paid the purchase tax along with the returns in time.

When the liability for penalty was pointed out in audit (January 1979) the department levied penalty of Rs 15,000 for the assessment period 27th October 1973 to 13th November 1974.

The matter was reported to Government in September 1980 ; Government stated (February 1981) that the party has made part-payment Rs. 7,500 and preferred an appeal and obtained stay-order. Further developments are awaited (March 1981).

2.15. Excess allowance of resale

Under the Bombay Sales Tax Act, 1959, the taxable turnover of a dealer is determined after deducting therefrom, the resales of goods purchased by him from a registered dealer, provided that the goods are resold in the same form in which they are purchased and evidence is produced to show that the registration certificate of the original selling dealer was in force on the date of sale to the reseller. Sales of goods purchased from sources other than registered dealers are liable to be taxed in the hands of the reseller. The claim for resale is allowed either on identification of sales with purchases or in the absence of such identification on the basis of a proportion which the total purchases bear to the purchases from the registered dealer. Where the claim is based on identification, it is allowed by the assessing officer after satisfying himself that the claim is objectively in order.

In the course of audit of assessment records of a Sales Tax Officer Bombay, it was noticed (January 1978) that a dealer whose purchases from registered dealers amounted to Rs. 16,46,870 was allowed a resale claim on identification of sales with purchases the extent of Rs.27,61,038. The accounts of the dealer disclosed an overall profit of 12 per cent only whereas in respect of transactions relating to the resales as allowed by the department, the profits were as high as 68 per cent.

When it was pointed out (January 1978) in audit to re-examine the dealers claim in view of abnormally high profits disclosed in resales, the department on re-examination reduced the claim for resale by Rs. 11,04,036 and raised additional demand of Rs. 32,156.

The matter was reported to Government in April 1980. Government stated that the dealer had preferred an appeal before the Deputy Commissioner of Sales Tax. Further developments are awaited (March 1981).

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

Goods listed in Schedule E to the Bombay Sales Tax Act, 1959, are liable to general sales tax in addition to sales tax. Goods covered by entry E-22 were liable to be taxed at the rate of six per cent (sales tax 3 per cent and general sales tax 3 per cent) upto 14th April 1974. With effect from 15th April 1974 the rate of tax was enhanced to eight per cent (sales tax 5 per cent and general sales tax 3 per cent).

In the course of audit of assessment records relating to a manufacturer of Kolhapur, it was noticed (April 1979) that sales of E-22 goods after 14th April 1974 to a licensed dealer were subjected to sales tax at 3 per cent instead of at the revised rate of 5 per cent resulting in under assessment of Rs. 18,685.

When this was pointed out (April 1979) in audit the department accepted the objection and raised the demand (May 1980).

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

2.17. Short levy of purchase tax due to misclassification of H. P. Food Grade Hexane as petroleum product

Under the Bombay Sales Tax Act, 1959, a manufacturing dealer can purchase goods at reduced rate of tax on furnishing a declaration that the goods will be used by him in the manufacture of taxable goods for

sale. If the goods or part of goods so purchased are used for purpose other than that covered by the recitals of the declaration, the dealer is liable to pay purchase tax to the extent of contravention.

In the course of audit of the office of the Sales Tax Officer-I, Khamgaon, it was noticed (February 1979 and July 1980) that in the case of a dealer manufacturing vitamin food products, value of goods contravened was determined by the sales tax officer at Rs. 5,31,680 for the years 1972-73 to 1974-75. While levying the purchase tax, the sales tax officer classified the goods (H. P. Food Grade Hexane) as falling under entry 25 of schedule C of the Act treating it as petroleum product and levied purchase tax at the rate of 5 per cent, though the goods H. P. Grade Hexane, a petroleum solvent oil, was falling under entry 61 of Schedule C of the Act, which was subject to levy of purchase tax at the rate of 12 per cent. The misclassification of the goods resulted in short levy of Rs. 38,902 during 1972-73 to 1974-75.

On this being pointed out in audit (April to August 1980), the department accepted the objection (July 1980) and stated (July 1980) that in view of the time limitation, action for assessment in respect of 1972-73 and 1973-74 was not feasible. Further information regarding reassessment for 1974-75 is awaited (March 1981).

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

2.18. Non-levy of purchase tax on goods purchased from Government

Under section 13 of the Bombay Sales Tax Act, 1959 (as existed prior to 15th January 1975), purchase tax is leviable on specified goods purchased by a dealer for use in the manufacture of goods from Government department which is not a registered dealer.

In the course of audit of Sales Tax Officer, Nagpur, it was noticed (December 1978) that in respect of cement and iron and steel worth, Rs. 5.52 lakhs purchased during 1973-74 from Government by a dealer for manufacture of pipes to be supplied to Government, purchase tax of Rs. 11,048 was not levied on the assessee on the ground that supply of materials was not a sale by the Government department or a purchase by the assessee.

On being pointed out in audit (March 1979) that in an identical case levy of purchase tax was upheld by the Sales Tax Tribunal (December 1977) the department revised the assessment in May 1980 and ordered

recovery of purchase tax of Rs. 11,048 together with penalty of Rs. 15,000. Particulars of recovery are awaited (March 1981).

When the matter was reported to Government in June 1980 ; Government while accepting the objection stated (December 1980) that though additional demand for Rs. 26,048 was raised, recovery proceedings had been stayed as the dealer had preferred an appeal against the re-assessment.

2.19. Grant of set-off in respect of tax-free goods manufactured and exported out of India

2.19.1. *Introductory.*—Under the Bombay Sales Tax Rules, 1959, a manufacturing dealer can claim set-off of taxes paid on purchases of raw materials provided the raw materials are used in the manufacture of taxable goods. In August 1963, the State Government introduced Rule 43AB which allowed the benefit of set-off of taxes in respect of certain specified tax-free commodities such as cotton fabrics, rayon or artificial silk fabrics, woolen fabrics and sugar, provided that the manufactured goods are exported out of the territory of India.

A test check of the cases in which set-off under Rule 43AB was granted revealed the following :—

2.19.2. *Loss of revenue due to erroneous instructions issued by the department.*—The rule 43AB originally provided for allowance of set-off of taxes paid separately by the claimant dealer on goods used in the manufacture. The rule did not provide for set-off of taxes paid at the earlier stages of transactions. However, the provision for granting such set-off of tax paid at the earlier stages was introduced by an amendment to the rule in November 1972. This amendment did not specify the date from which it was effective. In the absence of any specific mention of the date, it should have been treated as effective from the date of issue viz. 28th November 1972. However, the Commissioner of Sales Tax issued instructions to the assessing officers in February 1973, to give retrospective effect to the aforesaid amendment in cases where assessments were not finalised or where assessments were under appeal or revision. These instructions were later on withdrawn in August 1974, but it was decided that the assessments finalised as per the earlier instructions should not be reopened.

The matter was reported to Government in January 1975. Government agreed to revise all cases in which set-off was incorrectly granted in pursuance of the instructions issued in 1973.

A follow-up check conducted by audit in July 1979 revealed that in case of six textile mills such *suo-motu* revision was time-barred resulting in loss of revenue to the extent of Rs. 63,947. In one case where revision has not yet been time-barred (December 1980) the incorrect set-off granted amounted to Rs. 1,56,645. Action taken to rectify the assessment is awaited (March 1981).

2.19.3. Grant of inadmissible set-off on packing material

Prior to the amendment made in November 1972, there was no provision for allowance of set-off on materials used for packing of fabrics for export. Set-off was admissible only in respect of goods used in the manufacture of fabrics.

It was noticed in audit (July 1979) that a dealer company of Bombay manufacturing polyester fibre, was irregularly granted set-off of Rs. 19,254 on packing material for the assessment period 1970-71.

All the points mentioned above were brought to the notice of the Government in September 1980; reply is awaited (March 1981).

2.20. Non-levy of penalty under the Maharashtra Purchase Tax on Sugarcane Act, 1962

Under the Maharashtra Purchase Tax on Sugarcane Act, 1962, every Sugar Factory is required to file monthly returns and pay tax as per the returns within thirty days from the end of the month to which the return relates. By an administrative order issued in June 1962, Government has allowed co-operative sugar factories to pay only fifty per cent of monthly tax along with the returns and the balance in equal monthly instalments beginning from the month immediately following the end of crushing season till the month immediately preceding the next crushing season. In case of default by co-operative sugar factories in paying such self-assessed tax, penalty is leviable for the period from the 1st of the month following the month in which the instalment fell due.

Further the amount of tax assessed or reassessed in addition, for any period was also required to be paid into the treasury within the dates specified in the demand notice issued. Failure in this regard entailed levy of penalty at the rate of $1\frac{1}{2}$ per cent for each month for the first three months and two per cent thereafter, after due formalities.

(a) In the course of audit it was noticed (March 1977) that in the case of three co-operative sugar factories assessed in the year 1975-76, there

was delay in the payment of self-assessed tax of Rs. 128.37 lakhs ranging between one day and 429 days. However, the action to levy penalty was kept pending in the assessment orders but no action was taken for nearly two years.

When this was pointed out (March 1977) in audit, action to levy penalty was initiated and penalty of Rs. 6,07,289 was levied (December 1979). Particulars of recovery are awaited (March 1981).

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

(b) It was also noticed in audit (January 1978) that in the case of a sugar factory in Ahmednagar district, no action was taken by the assessing authority to levy penalty for belated payments of assessed tax for the years 1974-75 and 1975-76.

When this was pointed out in audit (January 1978) the department levied penalty of Rs. 63,642 (July 1979) for the period January 1976 to April 1976. Details of penalty levied for the year 1974-75 and particulars of recovery are awaited (March 1981).

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

2.21. Over-assessment of tax

Under the Bombay Sales Tax Rules, 1959, a manufacturing dealer is entitled to a set-off as per the prescribed formula, in respect of tax paid by him on the purchase of raw materials where the purchase price is inclusive of tax.

In the course of audit it was noticed (October 1979) that a dealer was allowed set-off of Rs. 70,162 for the period 1st April 1973 to 31st March 1974 against the admissible amount of Rs. 1, 10,514 owing to arithmetical error in the computation of set-off. This resulted in over-assessment of tax of Rs. 40,352. The mistake might be attributed to the fact that there was no internal audit for the audit of sales tax receipts in the State.

When this was pointed out (October 1979) in audit, the department confirmed the over-assessment after due verification.

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

2.22. Some interesting aspects in the recovery of Sales Tax

2.22.1. *Delay in finalisation of assessment.*—The Bombay Sales Tax Act, 1959, does not prescribe any time limit for completion of assessment. But the prompt completion of assessment is of vital importance in collection of sales tax dues as delay in completing the assessment adversely affects collection of additional tax that may be found due on completion of assessment.

A dealer manufacturing biscuits and confectionary had filed quarterly returns for the period 22nd May 1972 to 30th June 1973 for a tax liability of Rs. 46,237. The taxes due were not paid by the dealer along with the returns. The dealer was assessed *ex parte* on 10th March 1978 fixing his tax liability at Rs. 1.98 lakhs including penalty.

The dealer had also filed returns for the subsequent periods 1973-74 to 1975-76 for an aggregate tax liability of Rs. 63,274; out of which Rs. 10,000 only were paid along with the return for the quarter ending December 1973. The dealer was assessed *ex parte* for the period 1973-74 also (September 1980) fixing his tax liability at Rs. 1.08 lakhs. No further action had been taken by the department to finalise the assessments for the subsequent periods. However, action to recover the arrears of tax from the assessee had been stayed by Government (March 1981).

2.22.2. Grant of instalment facility

A dealer manufacturing pesticides defaulted in payment of sales tax dues to Government right from 1st January 1970. The dealer was granted instalment facility to liquidate his dues but he committed default in payment of instalments also. The dealer's assessments for the period 1st January 1970 to 31st December 1974 were finalised raising a demand of Rs. 5.78 lakhs (including penalty) which was not paid by the dealer. For the subsequent periods from 1st January 1975 to 31st December 1979, the assessments were not finalised (March 1981) and against the returned dues of Rs. 18.27 lakhs the dealer paid Rs. 11.50 lakhs only leaving a balance of Rs. 6.77 lakhs payable as per returns which have also not been paid by the dealer. Even though the dealer was a continuous defaulter, his registration certificate under the Central Sales Tax Act, 1956 and documents under the Bombay Sales Tax Act, 1959, were cancelled only on 27th February 1979 and 18th March 1980, respectively. The company had also given closure notice in March 1980. In August 1980, however, Government accepted the dealer's proposal to clear the outstanding dues by monthly instalments of Rs. 15,000 each. It would take seven years to effect recovery of the entire dues of Rs. 12.55 lakhs.

2.22.3. Issue of tax clearance certificate

In the following case clearance certificate was granted even though the party was in arrears on the date of issue of the clearance certificate.

A wine dealer was in arrears of sales tax dues of Rs. 2.78 lakhs and penalty of Rs. 2.92 lakhs for the assessment years 1967-68 to 1975-76. As per instructions from Government he was to be given tax clearance certificate for renewal of his liquor licence for the year 1978-79 on condition that the dealer paid Rs. 50,000 before 31st March 1978 and thereafter Rs. 60,000 every half year i.e. as on 30th September and 31st March till the entire arrears of tax of Rs. 2.78 lakhs outstanding as on 31st March 1976 were cleared. The question of recovery of penalty was to be considered after the arrears as on 31st March 1976 were fully recovered.

The dealer defaulted and as against Rs. 1.70 lakhs still payable by 31st March 1979, he made a payment of Rs. 16,400 only and thereafter discontinued any further payment. In spite of these defaults, his licence was renewed for the year 1979-80 also. The dealer continued to be in arrears (March 1981).

CHAPTER III

STATE EXCISE

3.1. Results of test audit

Test check of records relating to State Excise conducted between July 1979 and June 1980 revealed short levy of excise duty of Rs. 8.99 lakhs and over-assessment of Rs. 0.10 lakh. The short levies are broadly classified into the following categories :—

	Amount (Rupees in lakhs)
(a) Non-levy/short-levy of excise duty on Indian made foreign liquor and country liquor.	1.99
(b) Short-levy of escort and supervision charges ..	2.48
(c) Loss of revenue due to excessive evaporation and maturation losses.	3.99
(d) Other miscellaneous short levies	0.53
Total ..	8.99

Particulars of few important cases are mentioned in paragraphs 3.2 to 3.8.

3.2. Non-levy of excise duty on excess consumption of spirit over and above the requirement as per approved formulae

The Medicinal and Toilet Preparations (Excise Duties) Act, 1955 and the rules made thereunder provide for the levy of excise duty with reference to the spirit contained in the final product. The spirit required in the manufacture of a batch of a given preparation is calculated as per the

approved formulae which *inter alia* provides for the actual quantity of spirit in the finished product. Where the medicinal and toilet preparations are manufactured in bond under excise supervision, the excise department is responsible for regulating the issue of spirit in conformity with the approved formulae.

In the course of audit of records in a bonded laboratory in Bombay, it was noticed (May 1979) that the licensee who was manufacturing two medicinal preparations viz. "Phenergaon Elixir" and "Tixylix" with rectified spirit as one of its ingredients was drawing one bulk litre of rectified spirit in excess of the requirements as per the approved formulae for each batch of these products. The excess quantity of rectified spirit drawn in the manufacture of these products during the period 1st April 1977 to 27th November 1979 was to the extent of 534 bulk litres (880.32 proof litres). As duty under the Medicinal and Toilet Preparations Act, 1955, is calculated with reference to the spirit contents in the finished product as per the approved formulae, duty on the excess consumption of 534 bulk litres of spirit escaped levy and recovery from the licensee. The excise duty recoverable on this account at Rs. 25 per proof litre worked out to Rs. 22,008.

When this was pointed out in audit (May 1979) the department recovered the entire amount of Rs. 22,008 from the licensee in December 1979.

3.3. Non-levy of excise duty on difference in strength of Indian made foreign liquor

Excise duty on Indian made foreign liquor is calculated on the alcoholic strength of liquor as determined by the Chemical Analyser to Government. However, if the reports of the Chemical Analyser to Government certifying the exact strength of liquor are not available at the time of releasing the liquor for consumption, duty is provisionally recovered on the basis of alcoholic strength as declared by the manufacturer and on receipt of the reports from the Chemical Analyser, the additional excise duty on the difference of alcoholic content as determined by the Chemical Analyser, if any, is subsequently levied and recovered.

In the course of audit it was noticed (February 1979 and June 1980) that two licensees had paid excise duty during 1977-78 and 1978-79 on Indian made foreign liquor as per the strength declared by the manufacturers though the liquor actually released for consumption contained

higher strength of alcohol as certified by the Chemical Analyser. The short levy of duty was to the extent of Rs. 31,432.

The matter was reported to the department in February 1979 and June 1980 and to Government in July 1980 ; reply is awaited (March 1981).

3.4. Non-levy of excise duty on excessive losses of spirit in the manufacture and bottling of country liquor.

Under the Maharashtra Country Liquor Rules, 1973 and instructions issued thereunder, losses of spirit in the manufacture and bottling of country liquor are permissible to the extent of 0.5 per cent in each case and where the actual losses exceed the permissible limits excise duty on such excessive losses is leviable at the rates prescribed by Government.

In the course of audit of records of six distilleries it was noticed (February-June 1976, April-August 1977, December 1978, August 1979 and February 1980) that manufacturing and bottling losses to the extent of 3,278.96 proof litres relating to the period 1974-75 to 1978-79 in excess of the prescribed limit were not subjected to excise duty. This resulted in non-levy of excise duty to the extent of Rs. 19,537.

On this being pointed out in audit (between February 1976 to February 1980) the department recovered amount of Rs. 4,261 (November 1976, August 1977 and March 1978) due from the three distilleries. Particulars of action taken by the department in case of remaining three distilleries are awaited (March 1981).

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

3.5. Short-levy of excise duty due to incorrect application of rates

(a) By a notification effective from 8th March, 1979 Government enhanced the rates of excise duty on Indian made foreign liquor and beer from Rs. 20 and Rs. 8.50 per proof litre to Rs. 25 and Rs. 12 per proof litre, respectively. Six licensees who were issued permits before 8th March 1979 on collection of excise duty at the old rates of Rs. 20 and Rs. 8.50 per proof litre, imported from out of Maharashtra, 2,082.78 proof litres of Indian made foreign liquor and 4,202.27 proof litres of beer between 8th March 1979 and 26th March 1979, but differential excise duty owing to the enhanced rates applicable from 8th March 1979 was not levied and collected from the licensees. The short levy of excise duty on this account was to the extent of Rs. 25,122.

On this being pointed out in audit (April 1979, July 1979, January 1980 and April 1980) the differential duty amounting to Rs. 7,168 was recovered (September 1979) from one licensee. Particulars of action taken by the department in respect of the remaining licensees are awaited (March 1981).

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

(b) The rates of excise duty on Indian made foreign liquor were further revised by the Government from Rs. 25 per proof litre to Rs. 36 per proof litre from 12th October 1979. A scrutiny of the import permits issued during 1979-80 to a licensee in Kolhapur District, revealed (May 1980) that in respect of one import permit issued on 26th October 1979 the duty was recovered at the old rates instead of at the new rates, resulting in short levy of excise duty of Rs. 42,337 on 3,848.85 proof litres of liquor imported by the licensee. The demand for the differential amount of duty was, however, not raised by the department.

When this was pointed out in audit (May 1980) ; the department recovered the entire amount of Rs. 42,337 from the licensee in June 1980.

3.6. Non-levy of excise duty on wastage of spirit in transit

Under the Bombay Rectified Spirit (Transport in Bond) Rules, 1951, wastage of rectified spirit during transit in all cases upto half per cent per 160 kilometres is considered normal where such transport is effected through casks, vats and drums. Wastage in excess of this limit is reported to the Commissioner of Prohibition and Excise and if it is not satisfactorily explained, duty is payable by the licensee on such excess wastage.

In the course of audit of records of four licensees it was noticed (February-May 1979 and March 1980) that there were wastages of rectified spirit, in excess of the permissible limit during 15th April 1977 to 29th June 1978 to the extent of 1,918.21 proof litres involving excise duty of Rs. 47,954 calculated at the rate of Rs. 25 per proof litre. However, no action was taken by the department to issue demand notices for additional duty on losses in excess of the prescribed limit.

Although there is a system of internal audit in the excise department the irregularity remained undetected.

On this being pointed out in audit (between February 1979 and March 1980) excise duty of Rs. 15,202 on 608.09 proof litres was recovered by the department from one licensee in May 1980. Report regarding recovery of the balance amount is awaited (March 1981).

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

3.7. Short recovery of supervision charges

Under the Bombay Prohibition Act, 1949 and rules made thereunder, all transactions pertaining to import, storage, manufacture and vending of foreign liquor are required to be carried out by the licensees under the supervision of prohibition and excise staff and the cost of the staff thus deployed at the licensees' premises for such supervision is required to be paid to the State Government in advance by the licensee.

In the course of audit it was noticed (August 1977 and March 1979) that the supervision charges in respect of the staff posted during the period 5th May 1970 to 31st March 1979 at the premises of three licensees in Nanded and Kulaba districts were short collected to the extent of Rs. 1.18 lakhs.

When this was pointed out in audit (August 1977 and March 1979) the department stated (December 1979 and August 1980) that the differential amount of Rs. 1.18 lakhs from the three licensees had since been recovered (March-May-August 1979).

3.8. Short recovery of escort charges

Under the Bombay Prohibition Act, 1949, the conveyance of foreign liquor consignment from the licensed premises of the trade and import licensees to the premises of another licensee is required to be made under excise supervision. Under departmental instructions, whenever excise staff is provided for such escort, escort charges are recoverable from the licensees for the days the escort is provided at the rates prescribed by the department from time to time. If the staff provided for escorting excisable commodities is required to perform journeys in connection with the escort, the escort charges cover travelling allowance to the staff for such journeys. The departmental instructions further prescribe that the escort charges should be recovered in advance before the escort is provided by the department.

In the course of audit of records of five licensees it was noticed (December 1976, January-March 1977, March 1979 and January 1980) that escort charges in respect of the staff provided for escorting excisable goods during the period 1st April 1974 to 31st March 1979 was recovered less to the extent of Rs. 33,000 ; but no action was taken by the department to raise additional demand for it.

On this being pointed out in audit (between December 1976 and March 1980) the department recovered Rs. 18,488 (August 1977, August 1979 and October 1979) from three licensees. Particulars of recovery of the balance amount are awaited (March 1981).

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

CHAPTER IV

LAND REVENUE

4.1. Results of test audit

Audit of land revenue accounts conducted during 1979-80 disclosed under assessments of substantial magnitude due to non-levy and short-levy of land revenue assessment in individual cases. Test audit of assessment records relating to land revenue conducted in 150 offices out of 308 offices in the State between July 1979 and June 1980 revealed under assessment of Rs. 3,22,07 lakhs. A few important cases are mentioned in paragraphs 4.2 to 4.17.

4.2. Grant of Government lands for commercial, industrial and other non-agricultural purposes

4.2.1. *Introductory.*—The Maharashtra Land Revenue Code, 1966 and the Maharashtra Land Revenue (Disposal of Government Lands) Rules, 1971, framed thereunder, govern the grants and disposals of Government land for commercial, industrial and other non-agricultural purposes. Land granted for non-agricultural use could be either in occupancy or lease-hold rights, subject to payment of occupancy price/non-agricultural assessment as determined by the Government or lease rent fixed at such percentage of full market value as prescribed by the Government in terms of Government resolutions, circulars, orders issued from time to time. For promotion of educational, charitable and public purposes, land could be granted revenue free and for co-operative institutions at a concessional price or rate by the Government. In respect of lands granted by Government, occupancy price is fixed considering various factors such as sale prices of similar lands in the locality, situation of the site, availability and demand for similar lands.

A test-check was conducted in audit during the period between May 1980 and September 1980 in the districts of Bombay, Pune, Nagpur,

Solapur, Kolhapur and Ahmednagar to verify how far the relevant provisions of the Code relating to grant of Government land and fixation of price were implemented. The results of test-audit are given in succeeding paragraphs.

4.2.2. *Grant of land on lease*—In this mode of disposal, Government derives revenue by way of annual ground rent which is calculated at a fixed percentage of market value. Any error or deficiency in fixing market value, therefore would result in recurring loss of revenue during the currency of lease. In the following cases while fixing market value all the relevant factors were not considered. This resulted in Government foregoing a substantial amount of revenue.

(a) A plot of land admeasuring 1 acre (4,046 square metres) in Bandra (Greater Bombay) was granted on lease (99 years) in August 1968 (possession given in June 1967) for construction of a hotel to an individual. The value of land was fixed at Rs. 89 per square metre for the purpose of lease rent. No sale statistics in support of this price were on record. On the other hand, the adjoining plot in the area was disposed of by Government and that too, by open tender in November 1967 at a price of Rs. 327 per square metre for a theatre which was indicative of the prevailing trend of land values in the area at the time of grant of land in August 1968. As a result of fixing the price of Rs. 89 per square metre in this case, Government sustained a loss of revenue of Rs. 46.56 lakhs for the lease period. Moreover, the grant of this plot of land to the individual on the ground that he was a government and municipal caterer having experience of hotels, without attempting to ascertain offers from other similar persons in the field was irregular.

(b) Four hotels at Juhu Beach, Bombay, were granted (November 1968 to November 1975) foreshore lands more or less identical in situation for restricted use such as constructing open launge, lawn and/or swimming pool. In respect of a foreshore land of 1,337.81 square metres rented (September 1972) to one of these four hotels (on annual licence basis upto July 1980) by Government, a proposal to fix the valuation of land at the rate of Rs. 540 per square metre for lease rent was made (July 1975) by the Town Planning Authority. While examining the proposal, the Finance Department observed that the rate of Rs. 540 per square metre proposed by the Town Planning Authority was based on the sale agreement of March 1967 for the adjacent land and considering the price escalation at the rate of 15 per cent for every 2 years, value was

worked out to Rs. 742.50 per square metre. Similarly, based on lease rent and its capitalised value at the rate of 6 per cent for perpetuity, value of land was worked out to Rs. 702.60 per square metre. Average of the above two values being Rs. 723 per square metre, after allowing 15 per cent reduction thereon on account of restricted use of land, they proposed the rate of Rs. 615 per square metre which was accepted by Government for the land granted to the hotel in 1972.

The grant of land to the other three hotels revealed the following :—

(i) On expiry of the lease period of 5 years in November 1968, Government sanctioned (September 1971) extension of lease of land of 1,036.80 square metres for a period of 99 years to a hotel subject to payment of lease rent based on the value of land at the rate of Rs. 203.32 per square metre. It was seen in audit that lease rent was to be revised only after a period of 33 years. Based on the 1967 rate of Rs. 540 per square metre relevant to this case, Government suffered a loss of revenue of Rs. 7.48 lakhs for the lease period of 33 years, after which only a revision is due.

(ii) Land measuring 197.33 square metres (i.e. 236 square yards) was granted to a hotel in January 1972 at the rate of Rs. 237 per square metre and possession was given in May 1972. Compared with the rate of Rs. 540 in March 1967, loss of revenue in this case amounted to Rs. 0.31 lakh upto September 1980. Further, though the lease of the land was revoked by Government in June 1977 in this case, land was not restored to Government by the lessee (September 1980).

(iii) Land admeasuring 511 square metres was granted to a hotel in February 1975. Valuation of the land for the purpose of lease rent was fixed (March 1978) at the rate of Rs. 621 per square metre. Keeping in view the price of land fixed at the rate of Rs. 615 per square metre in 1972 and considering price escalation during the period 1972 to 1975, the rate of Rs. 621 per square metre fixed in this case was also on the lower side. After applying the yardstick of 15 per cent price escalation for a period of 2 years, adopted by the Finance Department, valuation of land worked out to Rs. 707 per square metre approximately and fixation of rate of Rs. 621 per square metre thus, resulted in loss of revenue to Government amounting to Rs. 0.86 lakh for the entire lease period of 30 years.

4.2.3. *Land granted in occupancy rights.*—Government land admeasuring 113.38 acres at Mundwa village near Pune city was granted

between January 1963 and August 1964 to a steel forging company and occupancy price was fixed at the rate of Rs. 1,600 per acre on the basis of recommendation of the Town Planning Authority which was accepted by Government. A scrutiny of sale transactions revealed that during 1963-64 lands situated at further places around Pune were sold at much higher rates. The fact that the said company to whom Government land was granted at the rate of Rs. 1,600 per acre had agreed to purchase adjoining land at the rate of Rs. 4,000 per acre during 1963-64, indicate that the price fixed by Government in this case, was not with reference to prevailing prices.

4.2.4. Government managed Industrial Estate.—(a) In respect of Industrial Estate at Kandivali, Bombay, Government approved in May 1961 the market value of the land, as Rs. 10 per square yard for lease of plots of undeveloped land and development charges were to be paid separately. While approving the rate Government specifically ordered that the rate would remain in force only upto 31st December 1962 and thereafter it would be revised from time to time. However, the rate was not revised and lease rent was continued to be fixed based on the rate of Rs. 10 per square yard upto 1975 without any stipulation that the lease rent would be payable by the allottee from the date of possession on the basis of market value of the land as and when revised. In February 1976 the Town Planning Department proposed the following rates :

1971-72 :	..	Rs. 40 to Rs. 45 per square metre.
1973-74 :	..	Rs. 45 to Rs. 50 per square metre.

These rates were approved by Government in July 1978. In January 1979 the Town Planning Department proposed the following rates for subsequent years as under:—

1975	..	Rs. 58 to Rs. 72 per square metre.
1976	..	Rs. 62 to Rs. 76 per square metre.
1977	..	Rs. 66 to Rs. 80 per square metre.
1978	..	Rs. 70 to Rs. 85 per square metre.

These are yet (July 1980) to be approved by Government. Non-revision of rates from time to time as ordered by Government resulted in heavy loss of revenue in respect of plots allotted during the period 1963 to 1975.

(b) Lease rent is required to be revised after 10 years. The first revision became due from May 1971 and onwards. Upto 1979-80 such revision became due in respect of 151 plots. In respect of 56½ plots the revised lease rent was fixed and the difference between the revised lease rent and the actual lease rent, recovered upto 1979-80 in respect of the 56½ plots amounted to Rs. 16.73 lakhs. The recovery of arrears due to revision of rents was not however effected, as the State Government issued stay orders in December 1978. No final decision has been taken by the Government so far (September 1980). The additional amount of lease rent involved in the remaining 94½ plots where revision was due but not made, is also substantial. However, the actual amount involved has not been worked out by the department (September 1980).

4.2.5. *Application of incorrect rates.*—The rate for the purpose of determining the amount of annual lease rent has been laid down by Government from time to time as follows :

- Prior to 3rd November 1969 .. 5 per cent of market value of land.
- 3rd November 1969 to 15th May 1978. 6½ per cent of market value of land.
- 16th May 1978 onwards .. 8 per cent of market value of land.

Instances of failure on the part of the implementing authorities to take timely note of the changes in the rate fixed by Government resulting in loss of revenue are given below:—

(a) In respect of eight plots allotted between 1971 to 1973 in Kandivali Industrial Estate there was under-assessment of lease rent because of application of the rate of 5 per cent instead of 6½ per cent resulting in loss of revenue of Rs. 0.25 lakh. The total loss involved in respect of all such plots needed to be reviewed by the department.

The Collector, however, stated (July 1980) that the relevant order was not received.

(b) As mentioned in paragraph 4.2.2. (b) possession of land admeasuring 1,337.81 square metres was given to a hotel at Juhu (Bombay) in September 1972. The terms of this grant were decided in February 1979 according to which the land was granted on temporary annual licence basis upto 31st July 1980. However, the licence fee was charged at the rate of 6½ per cent for the entire period even though the rate of 6½ per cent had been raised to 8 per cent with effect from 16th May 1978.

As the grant of land in this case was on temporary annual licence basis the enhanced rate of ground rent was enforceable in this case with effect from 16th May 1978. Omission to apply enhanced rate thus resulted in under-assessment of licence fee amounting to Rs 0.26 lakh.

(c) Two adjoining plots No. 100-A and 100-B admeasuring 732.88 square yards and 83.33 square yards from Block I at Backbay Reclamation, Bombay were leased out for a petrol service station for the period ending 9th July 1967 on payment of ground rent at the rate of Rs. 3,900 and Rs. 1,250 per annum, respectively. Five years after the expiry of lease period, Government renewed the leases of both the plots in July 1972 for a further period of 21 years from 10th July 1967, on the same terms and conditions but on payment of ground rent at revised rate of $6\frac{1}{2}$ per cent per annum on the value of the land calculated at Rs. 3,600 square yard.

In the course of audit of the Collectorate, Bombay, it was noticed (November 1979) that as against revised ground rent of Rs. 1,90,993 per annum, the rent at old rates was continued to be recovered from the lessee. This resulted in a short recovery of Rs. 22.30 lakhs for the period 10th July 1967 to 9th July 1979.

On this being pointed out in audit (November 1979), the Collector Bombay, stated (November 1979) that the lessee had approached the Government for reconsideration of ground rent and the matter was still under consideration. In the absence of Government orders staying recovery at the revised rates, there was no justification for recovering ground rent at old rates.

The matter was reported to Government in May 1980, reply is awaited (March 1981).

(d) A plot (No. 193) admeasuring 3,046.67 square metres in Block III at Backbay Reclamation, Bombay, was leased by Government to a party in March 1972 on payment of ground rent at the rate of $6\frac{1}{2}$ per cent per annum on the value of land at Rs. 4,050 per square metre (Rs. 8,02,036 per annum). The possession of the plot was handed over on 21st January 1972. According to the terms and conditions of the lease, the lessee was allowed rent free period for three years (21st January 1972 to 20th January 1975) followed by rebate of 50 per cent in the ground rent for the succeeding two years (21st January 1975 to 20th January 1977) and full ground rent was to be paid from 6th year onwards (12th January 1977).

In the course of audit of the office of the Collector, Bombay, it was noticed (November 1979) that no demand for the ground rent for the period 1st January 1977 to 20th January 1977 amounting to Rs. 21,560 was raised and the ground rent was also assessed short by Rs. 1,437 for the period 21st January 1977 to 31st March 1977 due to error in calculation.

During subsequent audit conducted in July 1980, the verification of rent rolls and other relevant records disclosed incorrect assessment of rental amount in seven other cases due to error in calculations or otherwise, resulting in short assessment of rental to the extent of Rs. 32,616.

When this was pointed out in audit (November 1979/July 1980) the department accepted the short recoveries and agreed to recover the total amount of Rs. 55,613. Further developments are awaited (March 1981).

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

4.2.6. *Share of Government in unearned income.*—Grant of land in occupancy price for commercial and industrial purposes is subject to the condition that the land so granted, cannot be disposed of either wholly or in part except with prior sanction of Government. Sanction when given shall always be conditional upon the payment to Government, of 90 per cent of unearned income where open land is transferred. According to the rules, unearned income represents difference between the price realised by way of sale and the occupancy price paid to Government at the time of grant of land. As unearned income is to be computed with reference to sale price instead of the market value, it deprives the Government from reaping the benefit of unearned income with reference to the market value when concerned parties resort to effect the sale either at the purchase price or at the price much less than market value. Furthermore, the rule makes no distinction between (i) the pure and simple transfers where price is the sole consideration; and (ii) the transfer in which parties involved are interested in each other and price is not at all the consideration for such transfer. In the latter type of cases, therefore, Government continues to be deprived of its due and legitimate share of premium.

In a case involving transfer of open land by an industrial unit at Mundwa (Pune) it was seen that surplus open land admeasuring 25 acres was transferred (January 1971) to their sister concern at the same price at

which the same was obtained (May 1968) from the Government. As the difference between the two was nil, no premium was charged by Government. However, with reference to market value, the premium due to Government worked out to Rs. 1.64 lakhs.

4.2.7. Recovery of occupancy price.—Possession of land is usually given after payment of occupancy price and at times possession is given pending determination of market value. It is, therefore, essential that final occupancy price is determined quickly and that the price so fixed is recovered as expeditiously as possible. Government decided in July 1972 that where possession was handed over pending determination of market value, grant of land should be subject to the condition that the grantee undertakes to pay interest at the prescribed rate from the date of possession of land to the date of payment of occupancy price. Interest at the rate of $6\frac{1}{2}$ per cent per annum was prescribed in July 1972 and was raised to 8 per cent in May 1978. Instances of delay in fixation of occupancy price, delay in recovery of occupancy price and non-recovery of prescribed interest, were noticed during the course of audit in the following cases:—

(i) Final occupancy price in respect of lands granted in 68 cases in the districts of Bombay and Pune (34 cases relating to Bombay Municipal Corporation, 31 cases relating to the Maharashtra Housing Board and 3 others) was not fixed so far (September 1980) and delay in fixation ranged from 4 to 12 years.

(ii) In 8 cases in the districts of Ahmednagar, Nagpur, Pune, occupancy price amounting to Rs. 28.51 lakhs though determined already, remained to be recovered (August 1980) and the delay ranged between 3 to 17 years.

(iii) In 6 cases, in the districts of Nagpur, Pune and Ahmednagar, even though payment of occupancy price was delayed by the grantees, interest at the prescribed rate amounting to Rs. 5.20 lakhs upto August 1980 was not recovered from them.

(iv) In 3 cases, in Ahmednagar district, undertaking to pay interest at the prescribed percentage was not taken. Interest payable upto August 1980 in these cases amounted to Rs. 0.63 lakh.

4.2.8. Recovery of lease rent.—Lease rent is payable in advance at the beginning of each year. In the following two cases lease rent was not paid by the grantees because it was not demanded. Failure to raise

demands against the grantees was on account of omission to make necessary entries in the records maintained by the Tahsildar.

Serial No.	Name of grantee	Area	Date of possession	Lease rent due as on August 1980
				Rs. in lakhs
1	Hotel 'SR'	1,560 square metres	May 1973	} 1.92
		15,560 square metres	February 1979	
2	Drive-in-theatre, in Bandra.	20 acres	1977	35.41
Total ..				37.33

4.2.9. *Summing-up.*—1. Under-valuation of Government lands granted either in occupancy rights or on lease resulted in loss of revenue amounting to Rs. 55.21 lakhs. In one case there has been heavy loss of revenue due to under-valuation of Government lands, the extent of which could not be assessed.

2. Delay in taking a final decision regarding revision of rents in respect of an industrial estate resulted in accumulation of rent arrears amounting to over Rs. 16.73 lakhs.

3. Non-application of prescribed rates for the purpose of lease rent resulted in loss of revenue amounting to Rs. 23.04 lakhs approximately.

4. As regards subsequent transfer of lands by the original allottee at the same price, Government has foregone premium of Rs. 1.64 lakhs on account of unearned income in the absence of any provisions in the rules to work out the unearned income on the basis of market value.

5. Delay in determination of occupancy price ranged from 4 to 12 years and where occupancy price was fixed, recovery of Rs. 28.51 lakhs was delayed for a period ranging from 3 to 17 years.

6. Interest of Rs. 5.83 lakhs for belated payment of occupancy price though recoverable, was not recovered.

7. Failure to take note in the relevant records of the Tahsils resulted in non-levy of demand for lease rent amounting to Rs. 37.33 lakhs from 1973 onwards in two cases.

The above points were referred to Government in October 1980; reply is awaited (March 1981).

4.3. Short-levy of non-agricultural assessment

Under the Maharashtra Land Revenue Code, 1966, land revenue leviable on any land has to be assessed with reference to the purpose for which the land is used such as agricultural, residential, industrial, commercial and others.

In the course of audit of Tahsil Office, Kurla (Bombay Suburban District), it was noticed (June 1979) that land admeasuring 11,190 square metres and 1,391 square metres at village Vikroli acquired by the "BEST" undertaking in October 1971 and August 1974 for commercial use, was assessed in December 1972 and October 1974, respectively, by the department, as if the entire land is used for industrial purposes. Further, on the basis of the actual measurements, assessment in respect of land acquired in October 1971 was corrected in February 1975 by the department, but while doing so, the land (1,391 square metres) acquired in August 1974 was altogether omitted from the order.

The omission on the part of the department to initially fix the assessment with reference to commercial use and subsequent exclusion of a part of the land from the correction orders, resulted in under-assessment of land revenue to the extent of Rs. 13,913 in this case.

On this being pointed out in audit, the department had rectified the assessment in January 1980. Particulars of recovery are awaited (March 1981).

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

4.4. Non-application of revised standard rates of non-agricultural assessment.

Under the Maharashtra Land Revenue Code, 1966, and the rules framed thereunder, the standard rates of non-agricultural assessment in respect of urban areas, which are fixed by the Collector with the

approval of Government come into force on the expiry of three months from the date of notification thereof in the Official Gazette. However, assessments are made at the revised rates after the expiry of the guarantee period.*

(a) In the course of audit of Kurla Tahsil (at Mulund) it was noticed (June 1979) that though the standard rates of non-agricultural assessment in Kurla Tahsil were notified in the Official Gazette in April 1971 for application from August 1971, in 32 cases the assessment was not revised after expiry of the existing guarantee period. This resulted in under assessment of Land revenue of Rs. 1.14 lakhs upto 1978-79.

The matter was reported to Government in September 1980. Government stated (January 1981), that the Additional Collector, Bombay Suburban District, had revised the non-agricultural assessment in respect of the 32 cases pointed out by Audit. The details of recovery are awaited (March 1981).

(b) In the course of audit of Malegaon Tahsil (Nasik District), it was noticed (January 1980) that the standard rates of non-agricultural assessment relating to the Malgegaon urban area were fixed and notified in Official Gazette on 29th January 1976 and came into force from 29th April 1976, but in respect of 10 cases test checked, wherein the guarantee periods had expired between July 1964 and July 1976, the non-agricultural assessments were not revised and were continued at the old rates. This resulted in short recovery of non-agricultural assessment amounting to Rs. 34,176 for the period 1976-77 to 1978-79.

On this being pointed out in audit (January 1980), the department stated (January 1980) that the action to formulate the proposals was in progress. Further developments are awaited (March 1981).

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

4.5. Incorrect revision of non-agricultural assessment

Section 116 of the Maharashtra Land Revenue Code, 1966, provides that when the non-agricultural assessment in respect of any land is revised, the revised assessment shall not exceed twice the land revenue payable immediately before the revision, if the land is used for residential

*Assessments in respect of non-agricultural lands have a guaranteed period of thirty years unless a shorter guarantee period is prescribed by Government.

purposes, and six times the land revenue payable before revision, if the land is used for any other non-agricultural purpose.

In the course of audit of Chopda Tahsil (Jalgaon District), it was noticed (August 1979) that in eleven cases, where the land was used for industrial purposes, the revised non-agricultural assessment from 1975-76 was restricted to four times instead of six times of the existing assessment. This resulted in under-assessment of land revenue of Rs. 22,460 for the period from 1975-76 to 1978-79.

The matter was reported to Government in July 1980. Government stated (January 1981) that the non-agricultural assessment in these cases had been revised and the details of recovery would be communicated in due course.

4.6. Short levy of assessment on lands due to difference in area

Agricultural lands admeasuring 16 acres and 32 gunthas (i.e. 81312 square yards) in survey No. 386/1 and 387 were held by a studio at village Malad in Borivali taluka of Bombay Suburban District from March 1952. Of this land, area admeasuring 32,017 square yards was provisionally assessed for non-agricultural purposes in the year 1964 at the rate of Rs. 1,921 per annum from the date of occupation. Consequent on a survey (1963-64) the total area diverted for non-agricultural purposes was measured as 52,537 square yards and the differential area of 20,520 square yards was also assessed to land revenue from 1st August 1971 at the revised rates for the entire area. Thus, an area of 20,520 square yards was omitted from levy of non-agricultural assessment from 1st March 1952 i.e. the date of non-agricultural use of the land till 31st July 1971.

On this being pointed out in audit (March 1978), the department levied (February 1979) the assessment of Rs. 1,231.20 per annum on the differential area of land from the year 1963-64 in which the city survey was conducted. As per codal provision, the assessment has to be made from the date of non-agricultural use i.e. from 1st March 1952. On this being further pointed out (July 1980), the department agreed (August 1980) to levy the assessment from 1st March 1952 after hearing the party concerned. Non-levy of assessment on differential area of 20,520 square yards for the period from 1st March 1952 to 31st July 1963 resulted in short levy of non-agricultural assessment of Rs. 14,159. Further progress is awaited (March 1981).

The matter was reported to Government in September 1980; rep'y is awaited (March 1981).

4.7. Revival of recovery of assessment in cases where assessment was compounded

Under the Bombay Land Revenue Rules, 1921, land revenue payable on non-agricultural lands can be compounded. This benefit of compounding was co-terminous with the periods of grant. The liability to pay the land revenue due on non-agricultural assessment at revised/old rates revived on expiry of the period of grant.

In the course of audit of Thana tahsil (Thana district), it was noticed (June 1977) that in 42 cases where the assessment was compounded non-agricultural assessment was not revised as per revised rates in force from time to time after the expiry of periods of grant (including extended periods of grant in some cases which expired between 1947 and 1978) but non-agricultural assessment at the old rates only continued to be recovered. Incorrect recovery in these cases resulted in under assessments of revenue to the extent of Rs. 0.47 lakh. The period of under assessment ranged between 11 years and 33 years.

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

4.8. Non-levy of non-agricultural assessment on land of Agricultural Produce Market Committee

Under the Maharashtra Land Revenue Code, 1966, and rules framed thereunder, lands used for public purposes like hospitals, hostels, playgrounds, parks and gardens, office premises of local authorities and gymnasiums or for roads, paths and lanes set apart in layouts, are exempted from payment of non-agricultural assessment. The use of land for market yard purpose is not covered by this exemption. As a result, the land held by the Agricultural Produce Market Committee is liable to non-agricultural assessment. Government also instructed in August 1977 that Agricultural Produce Market Committee should not be exempted from non-agricultural assessment. Further, under the Maharashtra Land Revenue Code, 1966, land revenue leviable on any land has to be assessed with reference to the purpose for which land is used such as agricultural, residential, industrial, commercial and others.

In the course of audit of Mangrulpir tahsil (Akola district) it was noticed (July 1979) that though possession of land admeasuring 9 acres and 21 gunthas (38,100 square metres) was given to the Agricultural Market Committee, Mangrulpir, on 26th July 1974, no action was taken to fix and recover the non-agricultural assessment.

When this was pointed out in audit, the Sub-Divisional Officer, Mangrulpir stated (July 1979) that due to stay order issued by the Government for sometime, non-agricultural assessment was lost sight of. In March 1980, non-agricultural assessment was fixed at the rate of Rs. 5,715 per year from 26th July 1974. The dues recoverable for the period 1974-75 to 1979-80 worked out to Rs. 34,290. No recovery had been effected so far (March 1981).

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

4.9. Non-recovery of occupancy price and non-levy of non-agricultural assessment

Government land admeasuring 1 hectare 66.73 ares in Sakoli village of Sakoli Tahsil (Bhandara district) was occupied by the Maharashtra State Electricity Board in 1970-71 for the construction of sub-station and staff quarters. The construction was done in 1970-71 without the sanction of Government. Government, however, accorded sanction to the grant of land to Maharashtra State Electricity Board in October 1978, subject to the payment of (i) penal occupancy price of the land Rs. 25,750, (ii) fine of Rs. 5 and (iii) non-agricultural assessment at the rate of $2\frac{1}{2}$ times of the ordinary rate of non-agricultural assessment. The Board's representation (November 1978) about the imposition of penal occupancy price was rejected by Government in March 1979.

In the course of audit of Sakoli Tahsil (Bhandara district) it was noticed (December 1979) that no action was taken to recover the various dues as above for the years 1970-71 to 1978-79 amounting to Rs. 39,693 from the Maharashtra State Electricity Board.

On this being pointed out in audit (December 1979), the department stated (December 1979) that the demand would be raised in due course and recovery effected.

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

4.10. Delay in fixation of non-agricultural assessment and raising of demand

(a) Under the Maharashtra Land Revenue Code, 1966, lands used by an agriculturist for an occupation subsidiary or ancillary to agriculture such as the erection of sheds for poultry farming is exempted from the payment of the non-agricultural assessment.

In the course of audit of Mawal tahsil (Pune district) it was noticed (March 1980) that land admeasuring 80 hectares 81 ares had been put (April 1968 to November 1976) to exclusive poultry farming business involving 12 such farms by non-agriculturists. However, the non-agricultural assessment was fixed by the Collector, Pune as late as in July 1979. Even after such fixation no demand was raised by the Tahsildar (March 1980). This had resulted in non-realisation of non-agricultural assessment (Rs. 88,849) and zilla parishad cess (Rs. 1,06,170) amounting to Rs. 1,95,019 upto 31st July 1979.

On this being pointed out (March 1980) in audit, the department stated (July 1980) that demand notices had since been issued in May and June 1980. Further progress is awaited (March 1981).

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

(b) In the course of audit of Pusad Tahsil (Yavatmal District) it was noticed (September 1979) that a society purchased (February 1970) agricultural land admeasuring 17 hectares and 92 ares in village Pophali and put to non-agricultural use since 1973-74 without obtaining prior permission from the Collector, Yavatmal. However, non-agricultural assessment was not levied on it.

When this was pointed out in audit (September 1979), the department stated (September 1979 and April 1980) that proceedings were started in September 1979 and finalised in March 1980 by fixing non-agricultural assessment at the rate of Rs. 1,194.50 per year with effect from the year 1973. However, demand of non-agricultural assessment alongwith local cess, increased land revenue and penalty amounting to Rs. 24,229 for the period 1973-74 to 1978-79 had not been raised so far (August 1980).

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

4.11. Short levy of Zilla Parishad Cess

Under the Maharashtra Zilla Parishads and Panchayat Samitis Act 1961, a minimum cess of 20 paise is leviable on every rupee of land revenue, and this cess could be raised upto 200 paise per rupee with the approval of the Government. The cess is leviable within the area under the jurisdiction of the Zilla Parishad concerned. In Nagpur District, the rate of Zilla Parishad cess including increased cess was fixed (October 1963) by the Government at the rate of 0.50 paise per rupee of land revenue. In August 1973, the above rate was raised from 50 paise to 150 paise per rupee and is operative upto 31st July 1983.

In the course of audit of Ramtek Tahsil (Nagpur district) it was noticed (October 1979), that in 16 cases the zilla parishad cess was continued to be levied at the existing rate of 50 paise per rupee of non-agricultural assessment resulting in a short levy of zilla parishad cess to the extent of Rs. 1.20 lakhs for the period from 1973-74 to 1979-80.

When this was pointed out in audit (October 1979), the department stated (December 1980) that the zilla parishad cess at the increased rate of Rs. 1.50 per rupee of land revenue was levied on agricultural assessment from 1st August 1973. However, it remained to be levied on non-agricultural assessment. Progress of recovery is awaited (March 1981).

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

4.12. Non-levy of 'increase of land revenue'

Under the Increase of Land Revenue and Special Assessment Act, 1974, land revenue payable on agricultural lands was increased by certain rates based on the quantum of land revenue and cess payable by a land holder and was restricted to agricultural lands during revenue year 1974-75. The Act *ibid* was amended with effect from 1st August 1975 [vide Maharashtra Tax Acts (Amendment) Act, 1975] and the rates of increase of land revenue were revised and made payable with reference to holding. Thus from revenue year 1975-76 and onwards where holding (agricultural/non-agricultural) of a person exceeded the prescribed area, such a holder only became liable to pay increase of land revenue under the above Act. Such increase is calculated on the element of land revenue alone.

(a) In the course of audit of Wai taluka (District Satara) it was noticed (May 1980) that the holding of a co-operative sugar factory consisted of land admeasuring 92 acres and 33 gunthas for which land revenue (non-agricultural assessment) of Rs. 4,772 was payable annually in respect of this holding. Although according to amended Act, the factory was liable to pay 100 per cent of the land revenue (Rs. 4,772) as increase of land revenue from 1975-76 and onwards, no such increase of land revenue was assessed and collected from this factory. As a result, the holding escaped assessment of increase of land revenue amounting to Rs. 23,860 for the years 1975-76 to 1979-80.

On this being pointed out (May 1980) in audit, the assessing officer (Tahsildar) agreed to recover the amount.

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

(b) In the course of audit of accounts of the Tahsil offices Murtizapur, Washim (Akola district), and Pusad, Wani (Yeotmal district), it was noticed (between April 1979 and February 1980) that the increased land revenue was continued to be levied even after 1st August 1975, at the old rates instead of at the revised rates thereby resulting in under assessment of Rs. 4.74 lakhs in 1975-76 and 1976-77.

The matter was reported to Government between May 1980 and September 1980. Government stated (September 1980, November 1980 and December 1980) that orders raising the rates of increased land revenue could not be implemented by the field offices as the same were received late. However, the demand for increased land revenue at revised rates, had since been raised by Tahsildar, Murtizapur, Pusad and Washim. Particulars of recovery and reply in respect of Wani tahsil are awaited (March 1981).

4.13. Irregular collection of cess on increase of land revenue

Under the Maharashtra Increase of Land Revenue and Special Assessment Act, 1974, as amended by the Maharashtra Tax Acts (Amendment) Act, 1975, increase of land revenue at specified rates, is payable with effect from 1st August 1975, on holdings of land equal to 8 hectares or more. As this 'increase' is not ordinary land revenue within the meaning of the Maharashtra Land Revenue Code, 1966, cess imposed under the Maharashtra Zilla Parishads and Panchayat Samitis Act, 1961, is not leviable thereon.

In the course of audit of Tahsil Sakri (District Dhule), it was noticed (March 1979) that Zilla Parishad Cess was levied on the increased land revenue. This resulted in irregular levy and collection of cess amounting to Rs. 4.64 lakhs for the period 1975-76 to 1977-78.

When this was pointed out in audit (March 1979) the department stated (May 1980) that the local cess was levied upto 1977-78 on the increase in land revenue also due to wrong interpretation of the Act.

The matter was reported to Government in August 1980. Government stated (December 1980) that the excess amount would be adjusted in the recovery of land revenue and that necessary instructions were being issued to all Collectors to take up review of the past assessments and make necessary adjustments in future years wherever such over assessments were found.

4.14. Excess assessment of increased land revenue

Under the Maharashtra Increase of Land Revenue and Special Assessment Act, 1974, increase of land revenue was assessable based on the quantum of land revenue including local cesses, payable by land holders. This provision was amended with effect from 1st August 1975 whereby the rates of increase in land revenue were revised and were based on the area of holdings instead of on the amounts of land revenue, such increase being calculated on the element of land revenue alone.

In the course of audit of Tahsil Akkalkuwa (Dhule District), it was noticed (January 1980) that the increase in land revenue was levied on the land revenue including cess, even after 1st August 1975. This has resulted in excess assessment of increased land revenue amounting to Rs. 34,900 during the years 1975-76 to 1977-78.

The matter was reported to Government in September 1980. Government stated (December 1980) that necessary instructions were being issued to all Collectors to take up review of the past assessment and make necessary adjustments in future years. Further progress is awaited (March 1981).

4.15. Short levy of special assessment

Under the Maharashtra Education and Employment Guarantee (Cess) Act, 1962, special assessment is leviable on all agricultural lands on which commercial crops are raised, at the rates specified in Schedule B of the Act. The rates of special assessment were revised under the amended Act of 1976, with effect from 1st August, 1976.

In the course of audit of Saoner Tahsil (Nagpur district) and Dahanu Tahsil (District Thana), it was noticed (December 1979 and April 1980) that special assessment was continued to be levied at the old rates for the years 1976-77 to 1978-79 and upto 1979-80 in the case relating to Dahanu Tahsil on a total area of 2892.86 hectares of land under commercial crops resulting in under assessment of Rs. 22,790.

When this was pointed out in audit (December 1979 and April 1980), the department stated (December 1979, and April 1980) that copy of the Government resolution containing revised rates was not received.

The matter was reported to Government (May 1980/September 1980), reply is awaited (March 1981).

4.16. Non levy/incorrect levy of further special assessment

Under the Maharashtra Education and Employment Guarantee (Cess) Act, 1962 "Further Special Assessment" (known as Employment Guarantee Cess) at the rate of Rs. 25 per hectare of land in excess of 0.40 hectare in each holding is leviable with effect from 1st August 1975 on all agricultural lands on which irrigated crops are raised.

(a) In the course of audit of Srigonda Tahsil (Ahmednagar District), it was noticed (December 1979) that the "further special assessment" was not levied during the years 1975-76 and 1976-77 on lands on which irrigated non-commercial crops were raised, resulting in short levy of Rs. 92,146.

When this was pointed out (December 1979) in audit, the department agreed to recover the amount. Further developments are awaited (March 1981).

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

(b) Further in the course of test audit of accounts of Malkapur tahsil (Buldhana district) it was noticed (June 1980), that in 75 villages the "further special assessment" was levied on holdings less than 0.4 hectare on which irrigated crops were raised and on similar lands of larger holdings without ignoring the initial 0.4 hectare area. This resulted in excess assessment of Rs. 22,439 during the year 1978-79.

The matter was reported to Government in September 1980. Government stated (December 1980) that this excess collection would be adjusted at the time of annual checking of village accounts for the year 1980-81. Further progress is awaited (March 1981).

4.17. Short levy of royalty due to irregular concession

Under the Bombay Minor Mineral Extraction Rules, 1955, as amended under the Maharashtra Minor Minerals (Amendment) Rules, 1975, royalty is recoverable from 15th May 1975 at the rate of Rs. 5 per brass of stone despatched from the leased area.

In the course of audit of office of the Additional Collector, (Bombay Suburban District) Bombay, it was noticed (November 1979) that a lessee extracted and despatched 9,691 brass of stone between May 1977 and February 1979. The lessee was, however, allowed to pay royalty

(Rs. 29,070) on 60 per cent of quality only after deducting 40 per cent for voids. This resulted in short levy of royalty of Rs. 19,385.

When this was pointed out in Audit (November 1979), Government stated (August 1980 and November 1980) that the Collector, Bombay Suburban District, Bombay, was instructed to compute royalty on the measurement of the despatched material and that difference of royalty for the past excavations had been recovered from the three quarry operators involved.

CHAPTER V

TAXES ON VEHICLES

5.1. Results of test audit

Test check of records relating to assessment and collection of Bombay Motor Vehicles Tax, Goods Tax and Passenger Tax conducted between July 1979 and June 1980 revealed short levy of taxes to the tune of Rs. 9.78 lakhs. The short levies are broadly classified into the following categories:

	Amount (In lakhs of rupees)
(a) Short levy of Bombay Motor Vehicles Tax/Goods Tax/ Passenger Tax due to incorrect application of rates.	5.21
(b) Irregular exemption from Bombay Motor Vehicles Tax/ Passenger Tax.	1.73
(c) Loss of revenue in respect of standees carried in double decker buses.	1.55
(d) Other miscellaneous recoveries.. .. .	1.29
Total	<hr/> 9.78 <hr/>

A few important cases of short levy of tax and irregular grant of exemptions are mentioned in paragraphs 5.2 to 5.10.

5.2. Short-levy of road tax due to application of single rates instead of double rates.

Under the Bombay Motor Vehicles Tax Act, 1958, road tax at the prescribed rate is levied and collected in respect of all vehicles which are used or kept for use in the State. By an amendment to the Act, effective from 1st April 1974, Government enhanced the rate of tax by 100 per

cent in respect of motor cycles, scooters and other vehicles which are taxed on the basis of their unladen weight excluding however those registered in the name of an individual, a local authority, a public trust, a university or an educational institution.

In the course of audit of records of eight assessing officers, in Bombay, Aurangabad, Jalgaon, Thane, Nagpur, Chandrapur, Amravati and Buldhana, it was noticed (between September 1976 and March 1980) that road tax in respect of 117 vehicles registered in the name of private/public limited companies, registered firms and other associations of persons was incorrectly recovered at single rate instead of at double the rate resulting in short levy of road tax of Rs. 67,158 for different periods between April 1974 and April 1980.

When this was pointed out in audit (between September 1976 and March 1980) in respect of assessing officers, Bombay, Aurangabad, Jalgaon, and Thane, the department stated (December 1980) that tax amounting to Rs. 16,857 out of the short levy of Rs. 28,911 had been recovered. Particulars of recovery of the balance amount are awaited (March 1981).

The matter was reported to Government in May/September 1980. In respect of assessing officers, Nagpur, Chandrapur, Amravati and Buldhana, Government stated (January 1981) that the tax amounting to Rs. 32,852 out of short levy of Rs. 38,247 had been recovered. Further progress of recovery is awaited (March 1981).

5.3. Non-levy of goods tax in respect of transport vehicles due to irregular maintenance of records.

Under the provisions of the Maharashtra Tax on Goods (carried by Road) Act, 1962, tax on goods carried is levied and collected in respect of all transport vehicles, whereas road tax is levied and collected under the provisions of the Bombay Motor Vehicles Tax Act, 1958, for all vehicles including transport vehicles.

In the course of audit of records in six taxation units at Bombay, Thana and Nashik, it was noticed (September-October 1978, January-February-April 1979, and February 1980) on co-relation between the two separate sets of registers maintained to watch recovery of tax on goods and road tax, respectively, that in respect of 82 transport vehicles registered and used for carriage of goods by road, for various periods between 17th February 1967 and 30th April 1979, although road tax was regularly recovered but no goods tax was levied on them. This resulted in non-recovery of goods tax of Rs. 94,362. The omission occurred due to irregular maintenance of records.

On this being pointed out in audit (between September 1978 and February 1980), Government stated (December 1980) that goods tax amounting to Rs. 34,044 had since been recovered along with amount of penalty in respect of 53 vehicles. Cases of 8 vehicles had been referred to the revenue authorities for recovery of tax and penalty and in case of nine vehicles demand notices had been issued to the operators. Action taken in the remaining cases and particulars of recovery are awaited (March 1981).

5.4. Short recovery of passenger tax

Under the Bombay Motor Vehicles (Taxation of Passengers) Act, 1958, passenger tax in respect of contract carriages is levied and collected as a percentage of the passenger fare payable to the operator for use of the vehicle. In respect of operators of contract carriage vehicles who have been granted temporary or special permits to ply their vehicles on the specified routes, if full details of the contracted amounts are not available or the operators fail to file returns in the prescribed form, the passenger tax leviable is computed with reference to certain minimum fare fixed under departmental instructions. Upto 22nd November 1977 the minimum fare was fixed at the rate of Rs. 2 per k.m. As this rate was found to be on the lower side in comparison with the actual rates charged by the operators of contract carriages, this was further revised with effect from 23rd November 1977 to Rs. 2.55 per k.m. in respect of ordinary buses; Rs. 4.00 per k.m. in respect of luxury buses and Rs. 5.10 per k.m. in respect of air-conditioned buses. These rates were required to be applied in respect of the different types of contract carriages where passenger tax was leviable irrespective of the fact whether returns are filed or not. The Act also provides that where the whole or any portion of the tax payable to Government has not been paid in time the tax officer may levy penalty in his discretion, not exceeding 25 per cent of the maximum tax payable on the basis of carrying capacity.

In the course of audit of records in three taxation units at Bombay and Aurangabad, it was noticed (September 1978, January 1979 and July 1979) that eventhough the minimum rates of fare had been revised by the department the passenger tax was levied and collected at rates lower than the minimum rates from 32 operators who plied their vehicles on the specified routes on different dates between 23rd November 1977 to 31st March 1979 but no action was taken by the department to raise additional demand on the basis of the revised minimum rates. This had resulted in short recovery of passenger tax to the extent of Rs. 26,318.

On this being pointed out in audit (September 1978, January 1979 and July 1979) the department recovered the differential amount of tax of Rs. 8,315 due in respect of twelve operators. In the remaining cases, the department directed (January 1980 and March 1980) the Regional Transport Officer to effect recoveries. Further developments are awaited (March 1981).

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

5.5. Non-raising of demands in cases of incorrect grant of non-use

Under the Bombay Motor Vehicles Tax Act 1958 and Rules made thereunder road tax at the prescribed rates is levied and collected on all vehicles used or kept for use in the State. A registered owner of the vehicle not intending to use or keep for use such a vehicle in the State and desirous of being exempted from tax on that account is required to make declaration in the prescribed form specifying the period of non-use and the place where the vehicle will be stationed during that period and also declare that the vehicle will not be removed from the place so declared without prior permission of the taxation authority. All these particulars are required to be submitted to the taxation authority by the registered owner before commencement of the non-use period of his vehicle. The exemption from payment of tax is to be given by the taxation authority only after satisfying himself that the vehicle in respect of which the declaration is made has not been used for the period specified in the declaration.

In the course of audit of records in two taxation units at Pune and Latur, it was noticed (August 1978 and October 1978) that in respect of fifteen motor vehicles the intimations declaring their non-use during different periods between 1st January 1974 and 31st March 1978 were received late and physical verification of non-use had not been carried out. In the case of one vehicle where physical verification of non-use was done the vehicle could not be located by the verifying officer at the place mentioned by the owner. The owners of these vehicles, therefore, were not entitled to the benefit of non-use claimed by them in their declarations and road tax for the periods of non-use already expired was clearly recoverable but no action was taken by the department to raise demand for it. The road tax recoverable on this account amounted to Rs. 29,912.

When this was pointed out in audit (August 1978 and October 1978), the department stated (April 1979) that fourteen cases in Pune region,

involving Rs. 12,359 had been referred to the Tahsildar for recovery of arrears. Action taken by the Department in the remaining cases is awaited (March 1981).

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

5.6. Short-levy of passenger tax due to incorrect grant of exemption

Under the Bombay Motor Vehicles (Taxation of Passengers) Act, 1958, tax is levied at the rate of 17.5 per cent of the gross amount of fare payable by the passengers carried by road in a motor vehicle which carries passengers for hire or reward. Government is, however, empowered to exempt totally or partially from the payment of passenger tax, in respect of certain vehicles which are plying exclusively in the municipal areas or plying exclusively on certain specified routes serving the municipal and the adjacent areas. In May 1976, Government, by issue of a notification granted exemption from the payment of passenger tax in excess of 3.5 per cent of the gross amount of fares payable to the operators who operate their passenger vehicles exclusively on the specified routes mentioned in the schedule to the notification. The operators claiming the benefit of exemption under the above notification are not allowed to deviate their vehicles from the specified route, even for a small distance and in case, the operators so deviate their vehicles from the specified route, they are liable to pay passenger tax at the full rate of 17.5 per cent of the gross passenger fare collected by them.

In the course of audit of records in the office of the Regional Transport Officer, Thane, it was noticed (January 1979) that a public limited company hired an operator for the transport of their staff from the railway station to the factory and back. While transporting the staff between railway station and the factory, the operator did not follow the specified route, and accordingly, he was not entitled to the concessional rate of passenger tax. It was, however, noticed that passenger tax was assessed and collected from the operator at the concessional rate of 3.5 per cent of the gross fare instead of at the full rate of 17.5 per cent, resulting in the short-levy of passenger tax of Rs. 1.71 lakhs for the period 1976-77 to September 1979.

The matter was reported to Government in March 1979. Government while accepting the objection directed (September 1979) the Transport Commissioner to recover passenger tax at the full rate from the concerned

operator. The department had, accordingly raised an additional demand of Rs 1.71 lakhs in November 1979.

When the matter was again reported to Government in May 1980, Government stated (July 1980) that the operator had filed an appeal to Commissioner, Bombay Division, Bombay, against the demand. Further developments are awaited (March 1981).

5.7. Irregular exemption from payment of motor vehicles tax

By notification issued (August 1960 and May 1973) under Bombay Motor Vehicles Tax Act, 1958, the Government of Maharashtra exempted from payment of tax the motor vehicles belonging to Government of India or Government of Maharashtra.

In the course of audit of Regional Transport Officer, Nagpur, it was noticed (January 1979) that the exemption from payment of tax granted to a vehicle belonging to Agriculture College, Nagpur, was continued after October 1969 though it ceased to be owned by Government and in the case of another vehicle belonging to Veterinary College, Nagpur, the tax exemption was allowed from March 1977 treating it as Government vehicle. Incorrect exemption from payment of tax allowed in these cases resulted in short levy of tax amounting to Rs. 15,072 for the period from October 1969 to September 1980.

The matter was reported to Government in August 1980. Government stated (December 1980) that the recovery of taxes pointed out by Audit had since been effected.

5.8. Short-levy of goods and road tax due to non-application of revised rates

Under the Bombay Motor Vehicles Tax Act, 1958 and the Maharashtra Tax on Goods (carried by Road) Act, 1962, the State Government issued two separate notifications raising the rates of road tax and goods tax with effect from 1st April 1979

In the course of audit of records in the Regional Transport Offices at Bombay, Aurangabad and Ratnagiri, it was noticed (July-December 1979, February-May-June 1980) that in respect of 268 transport and other vehicles, the goods and road tax was continued to be recovered at the old rates even after 1st April 1979. This resulted in short-levy of tax amounting to Rs. 13,674 for different periods during 1979-80.

When this was pointed out in audit (August 1980), Government stated (December 1980) that short-levy of tax amounting to Rs. 7,322 had since been recovered in respect of 80 vehicles. Particulars of recovery in the remaining cases are awaited (March 1981).

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

5.9. Non-levy of permit fees in respect of transport vehicles

Under the Motor Vehicles Act, 1939, the registered owner of a transport vehicle is required to obtain a permit from a Regional or a State Transport Authority before the vehicle is used in a public place. Such a permit is, however, not necessary in case of a goods vehicle which is a light motor vehicle with registered laden weight not exceeding 4,000 Kgs. each and is not used for hire or reward. Trailers are also included in the definition of vehicles and though they are exempted from the payment of road tax when used for agricultural purposes they are not exempted from obtaining a valid permit for their use in public places. The fee payable in respect of each permit was Rs. 15 upto 31st March 1979 and Rs. 35 thereafter.

In the course of audit of records for 1976-77 and 1978-79 in five regional offices it was noticed (June 1977, February 1978, October, November-December 1979) that no permits were issued in respect of 1,324 transport vehicles with registered laden weight exceeding 4,000 Kgs. each. The non-levy of permit fees at the aforesaid rates in respect of those vehicles worked out to Rs. 39,315.

When this was pointed out in audit (between June 1977 and December 1979) the department stated (March-May 1979, April-June-July-August 1980) that the permit fees amounting to Rs. 8,500 had been recovered in respect of 533 vehicles and in another 278 cases involving permit fees of Rs. 10,000, the permits are under issue. Particulars of recovery and action taken by the department in respect of remaining 513 vehicles are awaited (March 1981).

The matter was reported to Government in September 1980, Final reply is awaited (March 1981).

5.10. Non-levy of road tax on standees carried in articulated double decker buses in Bombay

Under the Bombay Motor Vehicles Tax Act, 1958, motor vehicles plying for hire or reward and used for carriage of passengers are assessed

to tax on the basis of their licensed capacity to carry passengers. If the vehicles are permitted to carry standees also, such vehicles are separately registered as "with standees" and additional tax on standees is also recovered in respect of such vehicles.

In the course of audit of records in the Office of the Transport Commissioner, Maharashtra State, Bombay, it was noticed (January 1979) that though the vehicles belonging to the Bombay Electric Supply and Transport (BEST) Undertaking, which are plying on various routes in Bombay, are normally registered as "with standees", 223 articulated double decker buses with seating capacity of 96 to 99 passengers were not registered as "with standees".

When it was suggested in audit (March 1979) to verify whether these buses did not unauthorisedly carry any standees, the Bombay Electric Supply and Transport authorities, on an inquiry made by the department stated (July 1979) that even though the articulated double decker buses had not been registered as "with standees", these vehicles as a matter of fact, were carrying standing passengers on the lower decks of the buses. As the Bombay Electric Supply and Transport authorities admitted the fact of carrying standing passengers in these vehicles, the Transport Commissioner, Maharashtra State, Bombay, decided to re-register these vehicles as "with standees" with effect from 15th September 1979. This resulted in additional recurring revenue to Government for Rs. 24,530 per annum. Had the vehicles been registered as "with standees" Government could have earned Rs. 1.55 lakhs by way of additional tax from the date of their registration upto 15th September 1979.

When the matter was reported to Government in May 1980, Government stated (July 1980) that originally there was no intention to register these vehicles with standees, but due to the inability of the operating staff to prevent passengers from boarding the buses and also due to paucity of adequate number of buses, the department re-registered these vehicles with standees from 16th September 1979.

CHAPTER VI

STAMP DUTY AND REGISTRATION FEES

6.1. Results of test audit

Test audit of instruments and other records relating to stamp duty and registration fees conducted in 241 offices between July 1979 and June 1980 revealed under-assessment of Rs. 13.36 lakhs in 141 offices. The causes of short levy broadly fall under the following categories :—

	Amount (In lakhs of rupees)
(i) Irregular remission	7.69
(ii) Incorrect computation of duty/fees	3.02
(iii) Under-valuation of property in gift deeds	2.65
Total	13.36

Particulars of a few important cases are given in paragraphs 6.2 to 6.8.

6.2. Irregular remission

Government remitted with effect from 3rd November 1972 stamp duty and registration fee in respect of any mortgage deed executed by a person for securing repayment of loan obtained from specified financial agencies for the purpose of starting of any industrial undertaking or small scale industries or for extending or expanding an existing industrial/small scale industrial undertaking. The instances of extending benefit of this remission even to mortgage deeds executed for securing loans by non-industrial units were reported in paragraphs 6.6 (a), 6.12 and 6.8

of the Reports of the Comptroller and Auditor General of India on Revenue Receipts for the year 1976-77, 1977-78 and 1978-79, respectively.

While Government/Inspector General of Registration, Pune, issued orders for recovery of stamp duty/registration fees erroneously remitted in the cases pointed out by Audit, no action had been taken (till May 1980) by Government/Inspector General of Registration to review all such cases and recover the deficit amount of stamp duty/registration fees.

During the courses of subsequent audits of five Sub-Registrars (Bombay, Amravati City, Satara, Latur and Aurangabad) conducted between November 1979 and July 1980, eight instances of such irregular remission were again noticed resulting in short levy of duty/fee amounting to Rs. 2.20 lakhs.

The matter was reported to Government in June 1980 and November 1980. Government stated (September 1980 and December 1980) that the orders to recover deficit stamp duty and registration fee had been issued to the concerned Sub-Registrars by the Inspector General of Registration, Pune. The progress of recovery is awaited (March 1981).

6.3. Incorrect remission of stamp duty and registration fees on mortgage deeds

Under the orders issued under the Maharashtra Registration Manual, Part II, registration fees and stamp duty are chargeable on instruments or mortgage executed by individual members of a Central Financing Agency when the amount of loan secured exceeds Rs. 5,000.

In the course of audit of Sub-Registry, Nashik, it was noticed (April 1980) that twenty-four mortgage deeds were executed (August 1978 to December 1978) by individual members of the Nashik District Central Co-operative Bank, Nashik (a Central Financing Agency), securing repayment of loan in excess of Rs. 5,000 in each case. The Sub-Registrar remitted stamp duty and registration fee in all these cases, resulting in irregular remission of stamp duty and registration fee of Rs. 18,600 (Rs. 12,400 stamp duty and Rs. 6,200 registration fee).

When the matter was reported to Government in September 1980, Government stated (November 1980) that the Inspector General of Registration, Pune had ordered the recovery of deficit stamp duty and registration fee in respect of all the documents held under objection. Progress of recovery is awaited (March 1981).

6.4. Persistent irregularity in assessing duty/fee on a conveyance

By a notification dated 29th October 1954, Government remitted stamp duty chargeable on gifts, settlements and trust deeds when executed for any educational purpose by or in favour of any educational institution recognised by State Government.

In the course of audit of Sub-Registry, Latur (Osmanabad District) it was noticed (January 1980) that stamp duty of Rs. 5 only was levied while no registration fee was levied on a sale deed executed in November 1977 conveying sale of an immovable property in favour of an educational society for a consideration of Rs. 1.95 lakhs. This resulted in short levy of duty and fee of Rs. 16,045.

The matter was reported to Government in June 1980. Government while accepting the audit objection stated (September 1980) that the Inspector General of Registration had issued orders to the Sub-Registrar for early recovery of the deficit stamp duty and registration fees. Progress of recovery is awaited (March 1981).

6.5. Stamp duty/fees not levied on full amount of consideration

According to Article 25(a) of Schedule I to the Bombay Stamp Act, 1958, stamp duty on a conveyance is leviable on the amount of value of the consideration set forth in the instrument.

In the course of audit of Sub-Registrar, Bombay, it was noticed (November 1979) that by an instrument, a partnership firm transferred its business as a 'going concern' to a private limited company for an agreed consideration of Rs. 5.31 lakhs. While assessing stamp duty/fees, the Sub-Registrar levied stamp duty/registration fee on the part consideration of Rs. 1.90 lakhs only on the ground that plant and machinery were already delivered (May 1972) and its transfer was not intended by the parties to be included in this instrument. However, as the instrument as a whole, evidenced transfer of the entire business as a 'going concern' including plant and machinery, the entire amount of consideration (Rs. 5.31 lakhs) attracted stamp duty and fee at *ad valorem* rates. Omission to take into account full amount of consideration resulted in short levy of duty/fee of Rs. 18,730.

The matter was reported to the Government in June 1980. Government while accepting the objection stated (August 1980) that the Inspector General of Registration, Maharashtra State, Pune, had been directed to recover the stamp duty and registration fee short levied. Further developments are awaited (March 1981).

6.6. Short levy of duty on conveyance

An instrument of conveyance attracts stamp duty at *ad valorem* scale as provided in Article 25 of Schedule I to the Bombay Stamp Act, 1958 on the amount of consideration set forth in the instrument.

In the course of audit of Sub-Registrar, Bombay, it was noticed (March 1980) that by virtue of four instruments registered in 1977, ownership in immovable property was actually transferred for an aggregate consideration of Rs. 1,41,400 and as such these instruments were conveyances within the meaning of Section 2(g) of the Act. Instead of levying stamp duty (Rs. 14,250) at *ad valorem* scale on these conveyances, a fixed duty of Rs. 5 in each case, was levied treating these as agreements for sale falling under Article 5(h). Stamp duty on these conveyances was thus, short assessed by Rs. 14,230.

The matter was reported to Government in August 1980. Government stated (October 1980) that the Sub-Registrar had issued notices to the parties for production of original documents to the Superintendent of Stamps, Bombay, for validation. Further progress is awaited (March 1981).

6.7. Instrument of partition treated as declaration

Under the Bombay Stamp Act, 1958, an instrument of partition is defined as any instrument whereby co-owners of any property divide or agree to divide such property in severalty and stamp duty on such document is leviable at the rates applicable to bond under Article 46 of Schedule I to the Act.

In the course of audit of the accounts of Sub-Registrar, Haveli-I (Pune District), it was noticed (June 1979) that the six co-owners of a jointly constructed building (value Rs. 6.30 lakhs) executed (November 1977) documents in the form of declaration to divide the property equally among themselves. The document was, however, incorrectly assessed treating it as an instrument of "declaration" instead of as "partition" and a stamp duty of Rs. 5 and Registration fee of Rs. 20 only was charged. This resulted in short levy of stamp duty and registration fee of Rs. 15,725.

When this was pointed out (August 1979) in audit, Government while accepting (March 1980) the objection stated that stamp duty and registration fee short levied would be recovered. Progress of recovery is awaited (March 1981).

6.8. Short levy of stamp duty and registration fee in a partition deed

Under the Bombay Stamp Act, 1958, stamp duty on an instrument of partition is leviable on the total amount or value of the separated shares. According to Code Order 438 of Maharashtra Registration Manual Part II liabilities incurred for the common benefit or charged on the joint property alone, are to be taken into account for calculating the value of the separated shares or shares of the property.

In the course of audit of documents registered in the Sub-Registry Nagpur, it was noticed (July 1976) that in the case of a partition deed, liabilities of Rs. 6.87 lakhs were deducted from the values of the separated shares for the purpose of levy of stamp duty and registration fee. The liabilities include provision for payment of income tax and wealth tax which may arise at a later date, amount partly paid and partly payable to two coparceners in lieu of their shares in the joint property. The documents did not, however, show that the liabilities were incurred for the common benefit of the joint family property or were charged on such property.

The deductions made were, therefore, incorrect and resulted in short levy of stamp duty and registration fee amounting to Rs. 12,850 on the instrument.

On this being pointed out (January 1979) in audit, Government stated (August 1980) that the Collector, Nagpur, had passed the orders to pay deficit stamp duty alongwith penalty of Rs. 100. The particulars of recovery are awaited (March 1981).

CHAPTER VII

OTHER TAX RECEIPTS

SECTION A

TAX ON PROFESSIONS, TRADES, CALLINGS AND EMPLOYMENTS

7.1. Short recovery of profession tax due to failure to cross-verify turnover from the sales tax returns of the registered dealers.

Under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975, the dealers registered under the Bombay Sales Tax Act, 1959, are liable to pay profession tax on the basis of their annual turnover of all sales or of all purchases. The tax is computed at the rate of Rs. 50 per annum if the turnover is Rs. 50,000 or more but less than Rs. 75,000 at the rate of Rs. 150 per annum if the turnover is Rs. 75,000 or more but less than Rs. 1,50,000 and at the rate of Rs. 250 per annum if the turnover is Rs. 1,50,000 or more. For this purpose, the registered dealer is required to mention in his application for certificate of enrolment his turnover of all sales or purchases for the previous year and also his registration number under the Bombay Sales Tax Act, 1959. If in the subsequent years there is any change in his turnover necessitating change in the rate of profession tax payable by him, the registered dealer is required to file a fresh application for a revised enrolment certificate and pay tax at the revised rate.

In the course of audit of profession tax records in six wards in Bombay, Satara and Kulaba, it was noticed (November 1978, March 1979 April 1979 and January 1980) that the registered dealers were paying profession tax at the lower rates mentioned in their enrolment certificates even though on the basis of the turnover mentioned by them in their sales tax returns, they were liable to pay profession tax at the higher rates. But neither was any action taken by the department to verify the correctness of the

profession tax paid by the dealers with reference to their sales tax returns nor did the dealers apply for the issue of a revised enrolment certificate. On a cross-examination of profession tax records with sales tax records, carried out by Audit in six wards, it was noticed (November 1978, March 1979, April 1979 and January 1980) that there was short recovery of profession tax to the extent of Rs. 81,950 in respect of 252 dealers for the years 1975-76 to 1979-80.

When this was pointed out in audit (November 1978, March 1979, April 1979 and January 1980), the department stated (May 1979, July 1979 and December 1979) that additional demand of Rs. 14,800 had been raised in respect of 69 dealers in one ward. Particulars of recovery and action taken by the department in respect of the remaining cases is awaited (March 1981).

When the matter was reported to Government (May 1980), Government accepted the irregularity in principle (June 1980). Particulars of recovery are awaited (March 1981).

7.2. Short-levy/Non-levy of profession tax

The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975, provides for levy of tax in case of legal and medical practitioners, architects, engineers, tax consultants and chartered accountants with reference to the period of standing of the tax-payer in the profession. As per the instructions issued by the State Government in September 1975, the period of standing in respect of medical practitioners is counted from the date of their registration with the Medical Council. Similarly in case of legal practitioners their standing in the profession is calculated from the date of their enrolment with the Bar Council. The standing is computed in terms of completed years as on 31st March every year. Within the Corporation Area, the rate of tax is Rs. 150 per annum where the period of standing is more than two years but less than five years and Rs. 250 per annum where the period of standing is five years or more. In other areas, the higher rate of Rs. 250 per annum is applicable when the period of standing reaches ten years or more. If the standing is less than two years, no tax is payable by the persons for that year. The persons who are liable to pay tax are required to apply for enrolment certificates.

(a) In the course of audit of records in ten taxation units it was noticed (January 1978, June 1978, December 1978, January 1979, November

1979 and January 1980) that the assessee engaged in various professions had paid profession tax correctly for the first year as per their standing for that year, and continued to pay tax at the same rate for the subsequent years also even though the period of standing had reached 5 years/10 years and assessee had become liable to pay tax at the enhanced rate of Rs. 250 per annum. In case of 1066 assessee in ten offices the profession tax short levied on this account worked out to Rs. 1.67 lakhs for the year 1976-77 to 1978-79. No action, however, had been taken by the department to issue revised enrolment certificates in these cases.

On this being pointed out (between January 1978 and January 1980) in audit the department stated (June 1978, February 1979, June 1979 and November 1979) that additional demand of Rs. 13,300 had been raised in 70 cases. Particulars of recovery and action taken in the remaining cases are awaited (March 1981).

When the matter was reported to Government in July 1980, Government accepted the irregularity in principle (July 1980). Details of recovery are awaited (March 1981).

(b) In the course of audit of records in two wards in Kalyan and Nashik, it was noticed (March and June 1978) that the assessing officers did not take any action on 134 applications for enrolments received from the public on the ground that their standing in the profession was less than two years. It was however verified in audit that out of 134 applications, in 87 cases, the persons were liable to pay tax for the year in which they had applied for enrolment, whereas in respect of 47 applications, the applicants had become liable for profession tax in the subsequent years on completion of the minimum period of standing but no action was taken by the department for the recovery of tax. This resulted in non-levy of profession tax of Rs. 38,550 for the years 1975-76 to 1977-78 in respect of the 134 applications.

When this was pointed out in audit (March and June 1978), the department accepted the objection and issued demand notices in 110 cases. Action taken in respect of the remaining cases, and particulars of collections are awaited (March 1981).

When the matter was reported to Government in August 1980, Government accepted the irregularity in principle (November 1980). Particulars of recovery are awaited (March 1981).

SECTION B—ENTERTAINMENTS DUTY

7.3. Short-payment of entertainments duty on the basis of returns

Under the Bombay Entertainments Duty Act, 1923, the proprietors of entertainments, while making payments of entertainments duty and surcharge in cash are required to file weekly returns in the prescribed forms accompanied by challans in support of the payments made as per returns. The Collectors with whom the returns are filed are also required to watch the timely submission of the returns by the theatre-owners and to check the correctness of the payments made by them with reference to the quantum of duty payable as per the returns and the amount actually paid as evidenced by the challans attached with the returns. Failure to pay duty under the Act, is an offence and the theatre-owner committing the offence is liable for prosecution. The offence, however, can be compounded by payment of composition fee to Government.

(a) In the course of audit of records in the offices of the Collector, Bombay, Ahmednagar and Kolhapur it was noticed (September 1978, January 1980, March 1980 and April 1980) that in respect of four theatres, the amount of entertainments duty and surcharge paid by the proprietors along with their returns for the periods 6th January 1978 to 28th December 1978, 8th June 1978 to 14th June 1978 and 15th September 1978 to 21st September 1978 was less than the amount of duty and surcharge payable on the basis of returns by Rs. 44,542 but no action had been initiated by the department for the recovery of the amount short-paid by the proprietors.

When this was pointed out in audit (September 1978, January 1980, March 1980 and April 1980) the entire amount of Rs. 44,542 was recovered from the four defaulting proprietors (September 1978, January 1980, March 1980, April 1980 and May 1980) along with composition fee of Rs. 7,740 from the three theatre-owners. Particulars of penal action taken against the remaining proprietors are awaited (March 1981).

(b) In the course of audit of records in a tahsil office in Satara District it was noticed (April 1978) that returns for the period 18th January 1978 to 21st January 1978 were not available in respect of one theatre. However, on the basis of the available returns filed by the proprietor for the period 1977-78, it was noticed that the proprietor had short paid entertainments duty and surcharge to the extent of Rs. 18,125.

When this was pointed out in audit (April 1978) the department on further examination worked out short-payment of duty and surcharge of

Rs. 24,738 upto 28th June 1978, out of which Rs. 6,912 were paid by the proprietor. For the balance amount of Rs. 17,826 the immovable property of the theatre-owner had been attached and the recovery proceedings are in progress (March 1981).

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

SECTION C—AGRICULTURAL INCOME TAX

7.4. Under-assessment of tax due to non-inclusion of income of a minor child

Under the Maharashtra Agricultural Income Tax Act, 1962, the total agricultural income of an individual includes income arising out of assets transferred directly or indirectly to the minor child otherwise than for adequate consideration.

In the course of audit of assessment cases for the assessment year 1974-75 to 1976-77 of the Agricultural Income Tax Officer, Kolhapur, it was noticed (March 1980) that an assessee had arranged for transfer (September 1969) of her land (10 acres and 34 gunthas) in revenue records in favour of her minor son for the purpose of his education. On the basis of this transfer, the assessing officer assessed net income as Rs. 30,248, Rs. 21,051 and Rs. 20,637 arising out of transferred lands in the hands of minor child during the assessment year 1974-75, 1975-76 and 1976-77, respectively. As a result, net income of the assessee and her minor child individually determined by the assessing officer, had gone below the exemption limit of Rs. 36,000 and accordingly both were held not liable to tax under the Act.

The transfer of assets in the instant case being not for adequate consideration, income arising therefrom was taxable in the hands of the assessee only notwithstanding transfer made in revenue records. Exclusion of income arising from transferred assets resulted in under-assessment of agricultural income tax amounting to Rs. 24,581.

On this being pointed out in audit, the Agricultural Income Tax Officer, Kolhapur, stated (September 1980) that action under section 41 of the Act had been initiated. Further developments are awaited (March 1981).

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

CHAPTER VIII

NON-TAX RECEIPTS

SECTION A—FOREST RECEIPTS

8.1. Illicit transportation of bamboos

In the course of audit (March 1979) of the accounts of the Divisional Forest Officer, West Chanda Division, Chandrapur, it was noticed that a complaint regarding illicit transportation of bamboos during September 1978 to December 1978 was received in the division in December 1978. The timber account and other records did not show any sale of bamboos during the same period in Chanda Range.

A check by audit with reference to the transit passes used for the transportation of bamboos in question and recorded at a check post in Chanda Range revealed that these passes were issued by the division to another range, viz; Nagbhir Range in February 1970. The Range Forest Officer, Chanda, who issued these passes between September 1978 and December 1978, was the Range Forest Officer, Nagbhir, previously. The unused pass book had neither been returned by the Range Forest Officer at the time of his transfer from Nagbhir Range to Chanda Range nor the division had taken any action to receive it back.

The Department confirmed the illicit transport of 12 truck loads of bamboos valued at Rs. 0.24 lakh and stated (July 1980) that all important papers were handed over to the police for investigation and prosecution of the concerned official. Lack of proper control over accountal of transit pass books facilitated the illicit transportation and consequential loss of Rs. 0.24 lakh to Government.

The matter was reported to Government in September 1980. Government stated (March 1981) that the fact regarding illicit transportation of bamboos reported by Audit, was correct. The matter was being investigated by Police. Result of the enquiry was awaited. Disciplinary

action, if necessary would be taken thereafter. Government also stated that instructions were being issued by the Chief Conservator of Forests to all field officers to ensure the checking and verification of the transit pass book accounts at the time of annual inspections, so that such type of lapses could be avoided in future.

SECTION B—RECEIPTS OF GUARANTEE FEES

8.2. Receipts of Guarantee Fees.

8.2.1. *Introductory.*—Under Article 293(i) of the Constitution of India, the executive power of the State extends to the raising of loans on the security of the Consolidated Fund of the State, within the territory of India as well as of giving guarantees within such limits as may be so fixed by the State Legislature. The Bombay State Guarantees Act, 1958, had fixed the limit of Rs. 150 crores for giving of guarantees by the State. The Act, however, was repealed on 13th March 1965 and since then no limits have been prescribed on the State Government's authority to give guarantees.

The State Government gives guarantees in respect of funds raised by the institutions and bodies from financial institutions as well as from open market. The guarantee cover is for repayment of principal and interest and also included bonds, deposits, loans, advances, cash credits and over drafts against hypothecation of stocks, pledges etc.

(ii) The total amount guaranteed by the State Government to the various institutions in the State up to the end of March 1980 was to the extent of Rs. 2,192.69 crores. The institution-wise break up is as follows:—

Name	Amount (In crores of rupees.)
(i) State Corporations including statutory Boards ..	897.66
(ii) Government Companies	147.49
(iii) Banks	0.03
(iv) Municipal Coporations/Municipalities/Zilla Parishads/ Other local bodies.	130.18
(v) Co-operative Banks	420.17
(vi) Co-operative Societies—	
(a) Sugar factories	101.22
(b) Other Co-operative Societies	482.23
(c) Other institutions	13.71
Total ..	<u>2,192.69</u>

Further details are given in Statement No. 6 of Finance Account, 1979-80.

(iii) From January 1963 onwards guarantee fees at the prescribed rates are recoverable from the institutions which avail of the benefits of Guarantee Scheme. The estimated amounts of receipts on account of guarantee fees and the actuals during 1979-80 and two preceding years are as follows :

Year	Estimates (Rupees in lakhs)	Actuals
1977-78	150.00	95.21
1978-79	80.00	84.25
1979-80	120.00	161.70

(iv) The guarantees given by Government are invoked in cases of failure on the part of the principal debtor to repay the instalments of loans guaranteed by Government. The following table gives the amount paid by Government during 1979-80 and two preceding years:

Year	Amount invoked and paid (Rupees in lakhs)
1977-78	148.70
1978-79	32.62
1979-80	196.97

8.2.2. *Rates of levy of guarantee fees.*—Guarantee fee is levied at the rates prescribed by Government from time to time. From 7th January 1963 to 30th June 1976, guarantee fee was leviable at the rate of 20 paise per Rs. 100 per annum. This rate was enhanced by Government to 50 paise per Rs. 100 per annum with effect from 1st July 1976. However, in respect of co-operative institutions dealing with the schemes of monopoly cotton procurement and distribution of essential commodities, the lower rate was continued even after 1st July 1976.

A test check of records of guarantee fees in six administrative departments of the State Government conducted during November 1979 to April 1980 revealed the following.

8.2.3. *Non-levy of guarantee fees on principal amount, A. Industries, Energy and Labour Department.*—A limited company had taken during October 1977 to March 1980 loans aggregating to Rs 12.86 crores from various financial institutions such as Industrial Development Bank of India, Industrial Finance Corporation of India, Life Insurance Corpora-

tion of India, Unit Trust of India, Industrial Credit and Investment Corporation of India for which Government stood guarantee to the financial institutions. The Government orders specifically provided for the levy of guarantee fee at the rate of 0.50 paise per Rs. 100 per annum. It was, however, noticed in audit (December 1979 and January 1980,) that the limited company did not pay the guarantee fee to Government nor the State Government issued any demand notice for its recovery. This had resulted in non-levy of guarantee fee amounting to Rs. 12.40 lakhs on the element of principal amount alone for the period October 1977 to March 1980.

When the matter was reported to Government in September 1980, Government stated (December 1980) that the demand for guarantee fees was being raised. Further developments are awaited (March 1981).

B. Agriculture and Co-operation Department.—All co-operative institutions were exempt from the payment of guarantee fee upto June, 1976. However, by an order issued in August 1976, the system of levying guarantee fee was extended to all institutions in the co-operative sector with effect from 1st July 1976 excluding co-operative institutions dealing with agricultural credit to the weaker sections of the society and Co-operative Marketing societies dealing with foodgrains procurement programmes.

Non-levy of guarantee fees was noticed in audit (February 1980 to April 1980) in the following cases.

(i) The Maharashtra State Co-operative Land Development Bank, Bombay, floated (March-October 1977, March-December 1978 and March-August 1979) series of ordinary and special debentures for the purpose of land development under the guarantee cover provided by the State Government. While special debentures were exempted from the payment of guarantee fee, the guarantee provided for the ordinary debentures was subject to the recovery of fee at the prescribed rates. In respect of seven issues of ordinary debentures totalling Rs. 9.80 crores, the guarantee fee recoverable including interest for the period April 1977 to March 1980 worked out to Rs. 7.98 lakhs. No action had been taken by the department to recover the amount (March 1981).

(ii) Government in Agriculture and Co-operation Department have given guarantee to the Maharashtra State-Co-operative Bank Limited, Bombay, on behalf of District Central Cooperative Banks for enabling them to obtain cash credits from the Reserve Bank of India. The

Maharashtra State Co-operative Bank was required to pay guarantee fee to Government on the borrowings made by the District Central co-operative Banks from the Reserve Bank of India. However, no action to assess and recover fees on the cash credits availed of by the banks was taken by the department. The guarantee fee payable in respect of cash credit thus made available to 17 District Central Co-operative Banks during the period from June 1977 to March 1980 worked out to Rs. 25.78 lakhs.

(iii) The Co-operative Sugar Factories are granted cash credits by bank on hypothecation/pledge of stocks for which Government stands guarantee to the bank.

It was noticed in audit (March 1980) that in respect of 19 co-operative sugar factories the guarantee fee recoverable on cash credits for the period July 1977 to December 1978 worked out to Rs. 1.03 lakhs which was neither assessed nor recovered by the department.

8.2.4. *Non-assessment of guarantee fee on interest liability.*—Prior to 10th May 1968, guarantee fee was leviable on the principal amount of loan only. However, Government issued revised orders in May 1968 which provided for recovery of guarantee fee on interest liability also in addition to the principal amount of loan. The Government orders also provided that in respect of guarantees given by Government prior to 1968, but which were current even after 10th May 1968 fresh agreements providing for levy of guarantee fee on interest should be got executed and such guarantee fee on interest levied and collected. Upto June 1976, the guarantee fee on interest liability was computed with reference to the total interest payable during the currency of loan as per the agreed repayment schedule, but in June 1977, Government revised this procedure and decided to levy guarantee fee on the annual interest liability only. The revised procedure was made effective from 1st July 1976.

A. *Industries, Energy and Labour Department.*—Twelve issues of debentures amounting to Rs. 33 crores, floated by the State Industrial and Investment Corporation of Maharashtra during the period December 1966 to March 1979 were guaranteed by the State Government.

It was noticed during audit (December 1979) that though the State Industrial and Investment Corporation of Maharashtra had paid guarantee fee on the principal amount of the debentures, no action was taken by the department to recover guarantee fee on the interest portion. The guarantee fee leviable on the interest liability from 10th May 1968 to 31st March 1981 worked out to Rs. 12.94 lakhs.

On being pointed out in audit (March 1980) the entire amount of Rs. 12.94 lakhs had since been recovered from the State Industrial and Investment Corporation of Maharashtra.

B. Public works and Housing Department.—The Government orders require that in respect of loans sanctioned prior to 10th May 1968, but in which cases repayment continued even after 10th May 1968, the beneficiaries should be asked to execute fresh agreements for the recovery of guarantee fee on interest and on the basis of such agreements, guarantee fees on interest should be recovered with effect from 10th May 1968.

It was noticed in audit (December 1979) that no action was taken by the department to levy such fees on loan granted to the Maharashtra Housing and Area Development Board. In respect of such loans granted to the Board and which were current after May 1968 also, the guarantee fee on interest upto 31st March 1979 worked out to Rs. 3.16 lakhs.

C. Agriculture and Co-operation Department.—The Maharashtra Co-operative Marketing Federation was given Government guarantee on various occasions for the cash credit facility availed of by it from the Maharashtra State Co-operative Bank for purchase and distribution of fertilizers and for monopoly procurement of cotton. As per Government orders guarantee fee on cash credits is required to be assessed on the maximum amount of borrowings outstanding on any date during a quarter of three months. Guarantee fee is also chargeable on the amount of interest payable to the bank.

It was noticed in audit (March 1980) that while the guarantee fee was paid by the federation on the maximum amount of cash credit outstanding during a quarter, no guarantee fee was paid on the amount of interest on the plea that the interest amount stands included in the maximum amount of outstanding borrowings. The interest amount was calculated by the Bank once in six months i. e. in June and December and was debited to the cash credit account at the end of half year. The guidelines issued by the Government for computation of guarantee fee in case of cash credit accounts clearly stipulate levy of guarantee fee on the principal and interest amount separately. The guidelines fixed for computing the guarantee fee on the maximum amount outstanding on any date during a quarter of three months is in respect of principal amount only and it does not cover interest liability. The non-levy of guarantee fee on interest on this account for the period 1st July 1976 to 31st December 1979 worked out to Rs. 1.05 lakhs.

8.2.5. Short-levy of guarantee fee on principal and interest due to incorrect computation

A. Industries, Energy and Labour Department.—(i) The guarantee fee on interest was computed upto 30th June 1976 on the basis of total interest liability and thereafter on the basis of annual interest accrued for the year.

It was noticed in audit (December 1979) that though Maharashtra Industrial Development Corporation had paid guarantee fees on interest, the liability was calculated on annual basis even for the period prior to June 1976. This had resulted in short-levy of guarantee fee of Rs. 9.61 lakhs.

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

(ii) While computing guarantee fee for a fraction of a month, the period of 15 days and more is treated as a full month whereas periods less than 15 days are ignored.

It was, however, noticed in audit (November 1979 and December 1979) that instead of following the correct method, the Maharashtra State Electricity Board and State Industrial and Investment Corporation of Maharashtra calculated guarantee fee on principal amount for the actual number of days. This has resulted in under-assessment of guarantee fees of Rs. 0.56 lakh in respect of eight guarantees given to the above mentioned corporations.

When this was pointed out in audit (September 1980) Government stated (December 1980) that as the Maharashtra State Electricity Board is required to repay the entire loan at the end of the period, the short payment of guarantee fee with reference to the actual days made in the year of issue will be made good in the year of maturity.

B. Finance Department.—As mentioned earlier the rate of guarantee fee was enhanced by Government from 20 paise per Rs. 100 per annum to 50 paise per Rs. 100 per annum with effect from 1st July 1976. It was however, noticed in audit (January 1980) that in raising demands against Sholapur Municipal Corporation for payment of guarantee fee on a principal amount of Rs. 55 lakhs the fee was calculated at the old rate of 20 paise per Rs. 100 per annum instead of at 50 paise for Rs. 100 per annum. The short-levy on this account worked out to Rs. 0.30 lakh.

C. Urban Development and Public Health Department.—Though the guarantee fee on interest was to be calculated on total liability basis upto 30th June 1976, it was noticed in audit (January 1980) that in respect of nine Municipalities the guarantee fee was incorrectly calculated on the basis of annual interest accrued during the year. This resulted in short levy of guarantee fee amounting to Rs. 1.73 lakhs. Similar error in calculation of guarantee fees was noticed in respect of City and Industrial Development Corporation also. The short-levy on this account worked out to Rs. 0.21 lakh.

D. Agriculture and Co-operation Department.—(i) The guarantee fee on principal amount is required to be computed from the date of disbursement of loan by the financial institutions. It was noticed in audit (February and March 1980) that loans totalling Rs. 33.88 lakhs were actually disbursed to two Co-operative Milk Federations at Kolhapur and Jalgaon during the period from June 1978 to September 1978 but the guarantee fee was computed from October 1978 only. Further in respect of the Co-operative Milk Federation at Jalgaon no guarantee fee was assessed in respect of a loan of Rs. 22.36 lakhs disbursed on 23rd August 1978. Similarly in the case of Maharashtra Agricultural Development and Fertilizer Promotion Corporation Limited, Bombay, also loans of Rs. 35.70 lakhs were disbursed during the period from June 1978 to September 1978. However, guarantee fee was calculated only from October 1978. This resulted in short levy of guarantee fee of Rs. 0.13 lakh.

(ii) Government in Agriculture and Co-operation Department have guaranteed loans amounting to Rs. 111.59 lakhs sanctioned by the Maharashtra State Co-operative Bank to 10 Co-operative Marketing Societies during the period July 1976 to July 1977.

It was noticed in audit (March 1980) that even in respect of guarantees where repayment of principal was to be effected over a period of 14 years, the guarantee fee was collected only for the first year and thereafter no fee was assessed or collected from the beneficiaries. The differential amount of guarantee fee recoverable from ten co-operative marketing societies on the amount of principal drawn from time to time by the societies from the date of drawal upto 31st December 1979 worked out to Rs. 0.33 lakh.

8.2.6. Defective assessment of guarantee fees—Agriculture and Co-operation Department

The guarantee fee is required to be assessed annually on the principal amount outstanding from time to time and on the interest accrued thereon.

If the beneficiaries have drawn lesser amount than the amount sanctioned to them, the assessment is to be made on the amount actually drawn. Similarly, if the repayments are not made as per the repayment schedule, the actual dates of repayments should be considered for calculating the fees.

(i) It was noticed in audit (March 1980) that in respect of 11 guarantees for Rs. 3,544.95 lakhs given to 14 co-operative sugar factories by Government since August 1976, the department assessed the guarantee fee on the maximum amount sanctioned for the entire period of guarantee ranging from one year to 7 years as per the agreed repayment schedule instead of ascertaining the actual balance outstanding at the end of the year after taking into account the repayment made and calculating guarantee fees on the closing balances. This resulted in creating huge and unrealistic demands against the sugar factories concerned. In respect of four sugar factories, where the guarantee fees recoverable as per the department's calculations worked out to Rs. 23.64 lakhs. The department had suggested postponement of recovery. However, if the assessments are made correctly on annual basis the necessity for postponement of recovery would not arise.

(ii) In respect of 11 guarantees involving loans of Rs. 1,075.68 lakhs, the sugar factories had failed to repay the principal amount according to the repayment schedule and consequently the principal and interest had accumulated. As a result, the lump sum guarantee fees calculated by the department were under-assessed to the extent of Rs. 7.15 lakhs.

(iii) In respect of 11 guarantees the department did not make any assessment. The guarantee fee involved is Rs. 7.23 lakhs.

When the above irregularities were pointed out in audit (March 1980) the department agreed to review all the cases of assessments. Further progress is awaited (March 1981).

8.2.7. Defective maintenance of records

(i) Government in Finance Department issued instructions in 1964 to the Administrative departments of the State Government to maintain initial accounts of guarantee fees in respect of guarantees sanctioned by them. Detailed instructions in this behalf were further reiterated by the Finance Department in 1972. In spite of these instructions it was noticed in audit (between November 1979 and April 1980) that none of the five administrative departments test checked had kept any systematic record

of guarantees sanctioned and fees assessed and recovered from the parties. As a result, the work of assessing the guarantee fees and watching the recoveries of the same on the due dates had not been properly attended to by the administrative departments, nor could the departments compute the total arrears outstanding as on a particular date.

When the matter was reported to Government (September 1980), Government in Industries, Energy and Labour Department stated (December 1980) that requisite registers have now been maintained and steps will be taken to complete the reconciliation of accounts by the 15th May every year. Reply from other Government Departments is awaited (March 1981).

(ii) Guarantee fee is recoverable on the amount outstanding on 31st March of financial year following and is required to be credited in advance to Government account on the 1st April every year. It was, however noticed in some cases selected for audit that there was considerable delay in crediting the amount to Government Treasury.

For instance, in respect of State Industrial and Investment Corporation of Maharashtra and Maharashtra Industrial Development Corporation delay in payment of guarantee fee ranged between 1 year to 3½ years in 17 cases.

Even though the payment of guarantee fee was inordinately delayed, no interest is charged for delay in making payments. The Government resolutions sanctioning the guarantee also do not stipulate any condition prescribing penal interest for delay in payment of guarantee fees to Government. In respect of 17 instances of delay mentioned above the loss of revenue to Government, had penal interest been charged at 9 per cent per annum would work out to Rs. 5.82 lakhs approximately.

8.2.8. To sum up, the review has brought out the following irregularities :—

(i) Failure to levy guarantee fee by three administrative departments on the principal amount of loan and interest thereon was noticed in 8 cases involving Rs. 64.34 lakhs.

(ii) Short levy of guarantee fee due to various mistakes in computation was noticed in 6 cases involving Rs. 12.87 lakhs.

(iii) The guarantee fees in respect of various loans and credit facilities granted to the co-operative sugar factories in the state have not been properly assessed resulting in under-assessment and non-assessment of fees involving Rs. 14.38 lakhs.

(iv) The administrative departments of the State Government who are primarily charged with the responsibility of assessing and collecting guarantee fees have not maintained any systematic records of the same. Though the guarantee fee is required to be paid in advance substantial delays on the part of the beneficiaries were noticed in payment of Government dues. The agreement made with the beneficiaries also do not contain any provision for levy of penal interest in case of delays in payment.

(v) In the absence of proper records, the volume of arrears of guarantee fee could not be properly assessed.

All the points mentioned in the foregoing paragraphs were reported to Government Department in September 1980. Final replies from Finance, Agriculture and Co-operation, Public Works and Housing and Urban Development Department are awaited (March 1981).

SECTION-C—RECEIPTS OF MINOR PORTS

8.3. Receipts of Minor Ports

8.3.1. *Introductory*.—Maharashtra's coastline is 720 kilometres long with 49 minor ports divided into six groups. Upto 1963, the administration of these ports was vested in the Collector of Customs, Bombay and thereafter, it was taken over by the Chief Ports Officer, Maharashtra State, Bombay.

The collections by these ports included receipts on account of port dues, passenger fees, wharfage fees, shipping fees, berthing fees, pilotage fees and survey fees. The collection is regulated by the provisions of Indian Ports Act, 1908, the Bombay Landing and Wharfage Fees Act, 1882 and the Bombay Coasting Vessels Act, 1938.

8.3.2. *Trend of Revenue*.—The following table indicates the Budget Estimates and actuals of receipt from the minor ports for 1979-80 and two preceding years against the background of expenditure incurred in the same year.

Year	Budget Estimate	Actuals	Variations Increase (+) Decrease (-)	Percentage of Variation	Expenditure incurred in the maintenance of the ports
1977-78	17.00	28.73	+11.73	69	91.82
1978-79	16.00	82.24	+66.24	416	130.92
1979-80	16.00	11.29	(-) 4.71	29	145.70

(Rupees in lakhs)

Reasons for high percentage of variations between budget estimates and actual receipts and also as to why the receipts did not follow up the expenditure are awaited (March 1981).

The department has not revised the rates of port dues, passenger fees and wharfage fee during the last 16 years.

A test check of records of receipts kept by the port authorities revealed the following irregularities :

8.3.3. *Under-assessment of ground rent.*—(a) As per the instructions dated 2nd August 1930, incorporated in the departmental manual issued in January 1959, the fees leviable on goods stored at the wharves and landing places at customs ports are at half the public warehouse rates. The public warehouse rate for “building and engineering materials not made of metals” is 56 paise per tonne of material per week or part thereof.

Sand is treated as one of the ‘building materials’ and fees for storing sands at landing places at the minor ports should have been levied according to its weight. However, it was seen in audit (October 1979) that storing charges were recovered at the rate of 50 paise per 100 square feet of storing space provided for bricks, coal, chunam and tiles and not according to their weight. 100 square feet of open space normally accommodate 7 to 8 tonnes of sand and on this basis the maximum storing charges per 100 square feet worked out to Rs. 2 approximately at half the public warehouse rates. It was also seen in audit that the Assistant Port Officer, Vijayadurga, was recovering ground rent at 28 paise per ton for “silica sand” stored at Waghon jetty. On application of tonnage rates the short levy by way of differential storage charges worked out to Rs. 1.04 lakhs for three years 1976–77 to 1978–79 in two minor ports (Kalyan and Bassein).

(b) As per departmental instructions mentioned above the public warehouse rates for unenumerated goods are 56 paise per ton of materials per week or part thereof and half of it as applicable to customs ports work out to 28 paise per ton per week. Iron ore, being an unenumerated item, was to be subjected to the levy of storage charges at the above rate.

It was noticed in audit (May 1980) that at port Redi the department was levying storage charges at the rate of 50 paise per 10 square metres per month in respect of lumpy iron ore and 50 paise per 10 square metres per 4 months in respect of fine iron ore. During the period October 1975

to May 1979, 19,21,773 tonnes of iron ore were exported by two firms. Even on a normal minimum storage of one week the storage charges on the above quantity of iron ore stored and exported from port Redi would work out to Rs. 5.38 lakhs. Against this, an amount of Rs. 25,810 only was recovered by the department.

8.3.4. Non-levy of passenger fee from owners/operators of hodies, sailing vessels.—(a) Under the Bombay Landing and Wharfage Fees Act, 1882, passenger fee is recoverable in respect of every passenger who pays a fare of more than 50 paise. Under the Act *ibid* read with the Sea Customs Act, 1878, a penalty not exceeding Rs. 500 is prescribed for contravention of any provision of bye-laws under the Act. It was noticed from the records of a minor port that 85 'Hodies'* were licensed to ply in two creeks stretching 42 to 60 kms from the port. Some of the 'hodies' were licensed to carry upto 65 passengers. Though the operators of passenger vessels are required to submit returns showing the number of passengers carried by them every month and the fare collected from the passengers so as to assess the passenger fee neither the returns were called for by the department, nor did the operators pay any passenger fee. No steps were also taken to levy any penalty, the maximum of which worked out to Rs. 42,500. On the basis of information made available it was noticed that during 1979-80, about 3.75 lakh passengers have embarked/diseembarked from these hodies.

In the absence of particulars of number of passengers actually carried by *hodies* and the fare collected from the passengers, the loss of passenger fee could not be worked out in audit.

Similarly, a passenger licence was given to a mechanised launch to operate between Port Dighi and Khora Jetty (Port Murud) via Rajpuri. 20 other passenger licences were also issued to the owners/operators of *hodies* sailing vessels and boats which were non-mechanised, to carry passengers in the Rajpuri Creek covering a stretch of 26 kms.

It was noticed in audit (May 1980) that no passenger fee was collected except from the motor launch. No steps were also taken to levy penalty the maximum of which worked out to Rs. 10,000. As no return was submitted by the operators the details of fares collected from the passengers and the loss of revenue involved could not be ascertained.

* "Hodi" is a small passenger boat propelled manually.

8.3.5. *Non-levy of berthing fees.*—Berthing fees at the rate of 10 paise per dwt* (dead weight ton) of a vessel per month is recoverable wherever jetties are provided by Government for embarking and disembarking of passengers or for loading and unloading of goods. A number of jetties were provided and maintained by Government at various creeks and passenger licences were also given to a number of motor launches, *hodies*, sailing vessels for carrying passengers.

The following table indicates the number of jetties provided by Government and the number of passenger vessels plying in the four creeks test checked (May 1980).

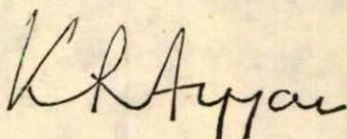
Serial No.	Name of creek	Number of jetty services	Number of passenger vessels	Period during which operated
1	Bankot Dasgaon ..	29	40 to 80 Total 483 passenger services during the entire period.	1st November 1972 to 31st March 1980.
2	Dabhol-Govalkot ..	18	85 passenger licences.	1979-80.
3	Dabhol-khed ..	10	Do.	1979-80.

It was noticed in audit (May 1980) that the Assistant Port Supervisor in charge of the minor ports did not maintain any records showing the vesselwise passenger traffic in the creeks, the fare collected and the jetties at which the vessels had called. No steps were also taken to collect the information from the operators of the vessels (excepting motor launches regularly plying with passengers). Records showing the dead weight tonnage of vessels was also not maintained in respect of any of the above vessels. However, on the basis of the information available about the number of passengers which each launch or boat was licensed to carry in respect of Bankot-Dasgaon creek, the loss on account of berthing fees worked out to Rs. 0.35 lakh for the period from 1st November 1972 to 31st March 1980. In the absence of any particulars, the amount of berthing fee lost to Government in respect of other creeks mentioned above could not be worked out in audit.

* "Dead weight ton" of launch or boat is computed on the basis of the prescribed weight of each passenger and the personal effects.

8.3.6. *Non-levy of Jetty Cess.*—As per the bye-laws made under Bombay Landing and Wharfage Fees Act, 1882, any member of public other than a passenger who enters the jetty/wharf during one hour before or after the arrival or departure of a passenger vessel is required to obtain a pass on payment of jetty cess of 10 paise per person.

It was noticed in audit (May 1980) that such jetty cess was being recovered only in four minor ports (Jaigad, Ratnagiri, Jaitpur, and Deogad) whereas in respect of ten other ports which are visited by the passenger vessels no such cess was being recovered.



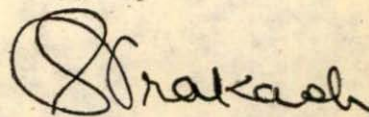
(K. R. AYYAR)

Accountant General-I, Maharashtra.

Bombay,
The

1981
30 JUN 1981

Countersigned



(GIAN PRAKASH)

Comptroller and Auditor General of India.

New Delhi,
The

1981.

EW 17 JUL 1981

The first part of the document is a letter from the Secretary of the
 Board of Directors to the Board of Directors. The letter is dated
 June 1, 1981, and is addressed to the Board of Directors.
 The letter discusses the financial performance of the company for the
 first six months of 1981. The letter states that the company has
 achieved a significant increase in sales and profit over the same
 period last year. The letter also discusses the company's plans for
 the remainder of the year and for the next year.

[Handwritten signature]

W. B. GIBBS

Secretary of the Board of Directors

30 JUN 1981

101

[Handwritten signature]

30 JUN 1981

W. B. GIBBS

Secretary of the Board of Directors

APPENDICES

APPENDICES

APPENDIX I

(Reference Paragraph 1.12 Page 21)

Statement showing cost of collection under the principal heads of Revenue

Head of Account	Year	Gross collection	Expenditure on collection	Percent- age of expenditure to gross collection
(In crores of rupees)				
1. Sales Tax ..	1977-78 ..	460.85	3.77	0.82
	1978-79 ..	537.27	5.94	1.11
	1979-80 ..	626.43	6.18	0.99
2. Tax on Professions, Trades, Callings and Employments.	1977-78 ..	18.24	0.29	0.16
	1978-79 ..	21.98	0.48	0.22
	1979-80 ..	26.01	0.49	0.19
3. State Excise ..	1977-78 ..	47.88	1.33	2.78
	1978-79 ..	53.75	2.00	3.72
	1979-80 ..	70.23	2.12	3.02
4. Taxes on vehicles ..	1977-78 ..	26.64	0.42	1.58
	1978-79 ..	31.27	0.62	1.98
	1979-80 ..	38.07	0.74	1.94
		Grand Total		

APPENDIX

(Reference Para No. 1.13.1(a))

Receipt-wise analysis of outstanding Inspection

Serial No.	Name of Receipt	1976-77			1977-78		
		Inspection Reports	Paras	Money value in lakhs of rupees	Inspection Reports	Paras	Money value in lakhs of rupees
1	2	3	4	5	6	7	8
1.	Sales Tax	78	173	2.31	109	340	11.03
2.	Agricultural Income-Tax ..	5	12	....	3	16	0.60
3.	Land Revenue	313	1173	12.56	96	298	4.03
4.	Stamp-Duty and Registration Fees.	69	265	18.83	24	213	7.55
5.	Forest Receipts	40	97	18.78	12	34	1.32
6.	Taxes on vehicles	45	151	4.75	32	93	2.02
7.	Entertainments Duty ..	148	403	2.68	49	98	0.24
8.	State Excise	109	358	6.79	62	158	1.06
9.	Electricity Duty	5	7	0.08	8	12	....
10.	Tax on Professions, Trades, Callings and Employments	....	....	....	27	106	3.13
11.	Non-Tax Receipts .. ..	....	....	....	59	101	....
	Grand Total	812	2639	66.78	481	1469	30.98

II

Page 21 of the Report)

Reports as at the end of September 1980

1978-79			1979-80			Total		
Inspection Reports	Paras	Money value in lakhs of rupees	Inspection Reports	Paras	Money value in lakhs of rupees	Inspection Reports	Paras	Money value in lakhs of rupees
9	10	11	12	13	14	15	16	17
137	536	13.50	259	1245	18.76	583	2294	45.60
3	31	1.87	2	24	4.93	13	83	7.40
118	421	156.78	156	601	265.41	683	2493	438.78
13	221	35.42	25	343	17.84	131	1042	79.64
30	126	20.34	39	211	566.23	121	468	606.67
44	172	4.21	39	258	4.91	160	674	15.89
78	219	0.24	66	197	0.62	341	917	3.78
73	237	0.51	140	482	1.25	384	1235	9.61
9	16	....	16	31	0.02	38	66	0.10
53	312	6.73	49	287	4.84	129	705	14.70
45	89	....	61	159	0.02	165	349	0.02
603	2380	239.60	852	3838	884.83	2748	10326	1222.19

ERRATA

To

The Report of the Comptroller and Auditor General of India for the year 1979-80—
Revenue Receipts—Government of Maharashtra.

Page No.	Reference to		For	Read
	Para	Line		
1	2	3	4	5
6	1.5 (ii)	1	budget	Budget
8	1.7	last line of the page	—	add comma after "Shclapur"
10	Serial No. 16	1	Departmen	Department
10	Serial No. 16(ii)	1	Schcme	Scheme
11	Serial No. (v)(b)	2	—	remove comma (,) appearing after the word "vaccine"
13	Serial No. 4	3	assests	assets
14	1.9.3	12th line of the page	—	add comma after "As such"
15	1.9.4	4	—	put full stop (.) at end of the line
15	1.9.5	5	(in lakhs of rupees)	(In lakhs of rupees)
17	1.9.9 (ii)	1	for	from
18	1.9.11	Serial No. 9 of the table	0.12	1.12
22	1.13.1	Page 22 Serial No. 1 of the table—last column	1,12.87	1,128.87
29	2.5	7	caster oil	castor oil
34	2.14	21st line of the page	this	his
34	2.14	30th line of the page	purchaesd	purchased
35	2.14 (b)	21st line of the page	has	had
35	2.14 (b)	21st line of the page	part payment	part payment of
36	2.15	4	—	add "to" between "purchases" and "the extent"
36	2.15	9	dealers	dealer's

Page No.	Reference to		For	Read
	Para	Line		
1	2	3	4	5
37	2.18	9th line from bottom of the page.	—	omit comma after the word "worth"
38	2.18	3rd line	;	,
38	2.19.1	7	woolen	woollet
38	2.19.2	2	rule	Rule
39	2.20	4th line from below	cach	each
44	3.2	16	formalac	formulae
50	4.2.2	4	—	add comma after the word "therefore"
50	4.2.2(b)	3	launge	lounge
50	4.2.2(b)	9th line from bottom	rented	granted
52	4.2.3	5th line	further	farther
54	(c)	last line	—	put semi colon (;) after the words "May 1980"
54	4.2.5	first line	—	add comma after the word "basis"
58	4.4	Heading line	—	omit full stop after "assessment"
58	4.4	3rd line from bottom of the page	—	omit comma after "1966"
59	4.4(b)	3	Malgegaon	Malegaon
61	4.7	14th line of the page	underassess- ment	under-assessment
63	4.11	31st line of the page	—	add comma after "Act"
68	4.17	1st line	quality	quantity
70	5.3	Heading line	—	omit stop after "records"
74	5.8	7th line from bottom	—	add stop after "April 1979"
82	7.1	7th line from bottom	thec ourse	the course
87	8.1	7th line from bottom	trasit	transit
88	8.2.1	Sr. No. IV of the table	Coporations	Corporations
92	c	14	interest	interest
100	8.3.5	3rd column of the table	Vessles	Vessels
100	8.3.5	9th line from bottom	Records	Record