

# OVERVIEW



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### I. General

This Report contains 26 paragraphs including one Performance Audit and two detailed compliance audits relating to under-assessment/ non-realisation/ loss of revenue etc., of ₹ 748.13 crore. The Departments/Government accepted audit observations of ₹ 380.26 crore, of which ₹ 4.50 crore was recovered during the year. Some of the major audit findings are mentioned below:

- **Trend of revenue receipts**

Total receipts of the Government for the year 2017-18 increased to ₹ 1,31,270.39 crore from ₹ 1,17,832.45 crore in the previous year. Forty three *per cent* of the total revenue collected in 2017-18 was raised by the Government through tax revenue ( ₹ 52,720.57 crore) and non-tax revenue ( ₹ 3,117.17 crore). The balance 57 *per cent* was received from the Government of India as State's share of net proceeds of divisible Union taxes ( ₹ 49,321.10 crore) and Grants-in-aid ( ₹ 26,111.55 crore).

(Paragraph 1.1.1)

- **Response of the Departments to the draft audit paragraphs**

Twenty six Draft Paragraphs (DPs) including one Performance Audit (PA) and two detailed compliance audits were sent to the Principal Secretaries/Secretaries of the respective Departments between July and August 2018. Except for replies to one Detailed compliance audit on "Working of check-posts under Transport Department" and two DPs under Chapter VII-Mines and Minerals, replies to other paragraphs are still awaited. Responses of the heads of the audited units, wherever available, have however, been taken into account.

(Paragraph 1.6.4)

- **Position of local audit conducted during the year**

Test check of records of 180 units related to (i) Sales Tax/Value Added Tax, (ii) Land and Land Reforms, (iii) Motor Vehicles Tax, (iv) State Excise, (v) Stamp Duty and Registration Fees and (vi) other tax and non-tax receipts were conducted during the year 2017-18. Instances of under-assessment/ short levy/ loss of revenue amounting to ₹ 870.64 crore were pointed out in 1,490 audit observations. During the course of the year, departments accepted 695 audit observations involving ₹ 155.08 crore. The departments recovered ₹ 16.21 crore at the instance of audit.

(Paragraph 1.10.1)

- **Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2018 in respect of State Excise and taxes and duties on Electricity amounted to ₹ 63.91 crore. Of this, ₹ 45.76 crore was outstanding for more than five years.

Other principal revenue generating Departments/Directorates, viz., (i) Directorate of Commercial Taxes, (ii) Directorate of Registration and

Stamp Revenue, (iii) Land and Land Reforms Department and (iv) Transport Department did not furnish the figures of arrears of revenue.

**(Paragraph 1.2)**

## **II Value Added Tax and Goods and Services Tax**

### ***Value Added Tax (VAT)***

#### **Compliance audit observations**

- In 30 cases, assessing authorities (AAs) incorrectly determined turnover of sales (TOS) at ₹ 2,572.16 crore instead of ₹ 2,825.34 crore. This resulted in short determination of TOS of ₹ 253.18 crore with consequent short levy of tax of ₹ 12.72 crore.

**(Paragraph 2.5)**

- In 58 cases, the AAs allowed input tax credit of ₹ 70.56 crore instead of ₹ 60.46 crore admissible to the dealers. This resulted in irregular allowance of ITC of ₹ 10.10 crore.

**(Paragraph 2.6)**

- In 48 cases, the AAs incorrectly determined Contractual Transfer Price (CTP) of ₹ 91.13 crore instead of ₹ 139.17 crore. This resulted in short determination of CTP of ₹ 48.04 crore with consequent short levy of tax of ₹ 2.82 crore.

**(Paragraph 2.7)**

- In five cases, the AAs allowed excess deduction towards payment to sub-contractors and labour, services and other like charges. This resulted in short determination of taxable contractual transfer price by ₹ 12.65 crore with consequent short levy of tax of ₹ 1.31 crore.

**(Paragraph 2.8)**

- In 13 cases involving sales of ₹ 65.52 crore, AAs levied output tax of ₹ 2.44 crore instead of ₹ 7.69 crore. This was due to application of incorrect rate of tax resulting in short levy of tax of ₹ 5.25 crore.

**(Paragraph 2.9)**

### ***Goods and Services Tax (GST)***

#### **A study on “Status of implementation of Goods and Services Tax (GST) in West Bengal”**

Audit reviewed the activities of the Directorate of Commercial Taxes (DCT), West Bengal relating to implementation of GST and noticed the following deficiencies:

- Forty three taxpayers eligible for registration under GST were not found registered in two Charge offices. The Charge offices neither conducted any survey/enquiry to ensure the status of taxpayers’ business nor assigned any reasons for their non-migration to GST.

**(Paragraph 2.13.9.1)**

- In two Charge offices, 55 taxpayers claimed excess transitional credit of ₹ 1.09 crore. The proper officer did not initiate recovery proceedings against taxpayers for such irregular claims.

**(Paragraph 2.13.10.1)**

- In seven cases, inadmissible claims of refund of ₹ 26.43 lakh by five taxpayers were rejected, but no action was taken to re-credit the rejected amount of refund in Electronic Credit Ledger and raise demand for recovery of the rejected amount.

**(Paragraph 2.13.11.1)**

- In 277 cases, claims of refund of ₹ 9.71 crore remained undisposed of in three Charge offices due to inaction of the Charge offices to inform the taxpayers to submit application of refunds physically.

**(Paragraph 2.13.11.2)**

### **III Land Revenue**

#### **Compliance audit observations**

- The Department failed to settle 23 cases of long-term leases involving 48.31 acres of land within the prescribed time limit. The land was under unauthorised occupation.

**(Paragraph 3.4)**

- There was non/short realisation of rent, cess and surcharge of ₹ 7.58 crore in 8,760 cases on land used for commercial purpose.

**(Paragraph 3.5)**

### **IV Stamp Duty and Registration Fees**

#### **Performance Audit of “Assessment and Collection of Stamp duty and Registration Fees”**

A Performance Audit of “Assessment and Collection of Stamp duty and Registration Fees” involving money value of ₹ 212.02 crore was conducted during the period from February 2018 and June 2018. It covered the period from 2012-13 to 2016-17. Registration Data from a central server in respect of all the Registering Authorities (RAs) was obtained from the Directorate of Registration and Stamp Revenue (DRSR) and the data was analysed using Interactive Data Extraction and Analysis (IDEA) tool. There was short levy of stamp duty and registration fees due to deficiencies in the computerised system in respect of all the RAs. Besides, manual records maintained by the Inspector General of Registration & Commissioner of Stamp Revenue (IGR & CSR), three Deputy Inspectors General of Registration (DIGRs) and different Public Offices (POs)<sup>1</sup> were also scrutinised by Audit. The irregularities pointed out include the following:

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<sup>1</sup> Public Office is an office held by a Public Officer as defined in Section 2 (17) of the Code of Civil Procedure, 1908.

- Non-registration/non-execution of lease agreements of toll plazas and other immovable properties by different Government authorities resulted in evasion of stamp duty and registration fees of ₹ 81.18 crore by lessees.

**(Paragraph 4.4.8.2)**

- Stamp duty of ₹ 18.28 crore was evaded by 16 companies on issue of debentures in the absence of a proper mechanism of assessment of stamp duty on debenture.

**(Paragraph 4.4.8.3)**

- Due to non/ incorrect disclosure of lease consideration and facts affecting chargeability of stamp duty and registration fees in the registered deeds by Kolkata Port Trust (KOPT) and Haldia Development Authority (HDA), there was evasion of stamp duty and registration fees of ₹ 8.14 crore by lessees.

**(Paragraph 4.4.8.4)**

- Inadequately stamped instruments of assignment of trademarks were not impounded by the trademark registering authority, resulting in short levy of stamp duty of ₹ 6.57 crore.

**(Paragraph 4.4.8.5)**

- Incorrect mapping of rate of stamp duty/ non-mapping of notified areas in the e-Nathikaran software resulted in loss of stamp duty of ₹ 40.82 crore.

**(Paragraph 4.4.9.1)**

- Delayed/ non-updating of municipal areas in the e-Nathikaran software resulted in short levy of stamp duty of ₹ 1.25 crore.

**(Paragraph 4.4.9.2)**

- Due to absence of proper validation control in the e-Nathikaran software, excess depreciation of market value of properties was allowed by the system, resulting in short levy of stamp duty and registration fees of ₹ 0.66 crore.

**(Paragraph 4.4.9.3)**

- Due to misclassification of instruments, stamp duty and registration fees of ₹ 44.72 crore was levied short by the RAs.

**(Paragraph 4.4.10.1)**

- Due to incorrect determination of lease period and lease consideration stamp duty and registration fees of ₹ 3.91 crore was levied short.

**(Paragraph 4.4.10.2)**

## V Motor Vehicles Tax

### Detailed compliance audit on “Working of check-posts under Transport Department”

A detailed compliance audit on “Working of check-posts under Transport Department” involving money value of ₹ 162.32 crore was conducted between January 2018 and June 2018, in the office of Transport Department and five out of the six check-posts in the State. It covered the period from April 2014 to March 2017. Information collected from two weighbridges<sup>2</sup> was cross checked with the records of the check-posts. Moreover, information/data of other Departments<sup>3</sup> were cross checked from the VAHAN<sup>4</sup> data to ascertain if there were overloading of vehicles. The irregularities pointed out include the following:

- The Transport Department identified 17 different locations in 2008 for setting up check-posts with weighbridges. Only one check-post and two weighbridges were, however, set up under Build Own Operate (BOO) basis. Thus, only four check-posts including three existing check-posts and two weighbridges were operational on National Highways (NH) crossing the inter-state border against network of 47 Highways (28 NH and 19 SH) in the State.

(Paragraph 5.5.3.2)

- Cases were not compounded at higher rate for the second and subsequent offences of overloading committed by the owners or drivers of vehicles.

{Paragraph 5.5.3.4 (ii)}

- Cases of overloading by common carriage operators were not monitored in the absence of information/returns submitted by them as prescribed in the Carriage by Road Act.

(Paragraph 5.5.3.5)

- There was lack of basic infrastructure at the check-posts required for enforcement of provisions of Act and Rules of Motor Vehicles effectively.

(Paragraph 5.5.3.6)

### Other compliance audit observations

- Tax, additional tax, penalty and special fee of ₹ 240.52 crore were not realised from owners of 1,23,361 vehicles.

(Paragraph 5.6.1.1)

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<sup>2</sup> M/s Shamiyana Infrastructure Pvt. Ltd. (SIPL) and M/s Toofanganj Construction and Engineering Co. Pvt. Ltd. (TCECPL).

<sup>3</sup> Finance Department and Public Works Department related to vehicles used for carrying goods.

<sup>4</sup> The software was developed by National Informatics Centre for vehicles registration, tax collection, permits, enforcement, etc.

- Registering Authorities (RAs) did not realise permit fee of ₹ 12.87 crore from owners of 15,011 transport vehicles plying with expired permits.

**(Paragraph 5.6.1.2)**

- RAs realised fee for conducting test of fitness at normal rates instead of 150 *per cent* of the fee for delayed production of vehicles. This resulted in short realisation of fitness fee of ₹ 1.86 crore in case of 1,46,053 vehicles.

**(Paragraph 5.6.1.3)**

- Improper mapping of the provisions of the Act/notification in the system resulted in short realisation of road tax of ₹ 76.77 lakh in 705 cases.

**(Paragraph 5.6.1.6)**

## **VI Other Tax Receipts**

### ***Profession Tax***

#### **Detailed compliance audit of “Assessment and Collection of Profession Tax”**

A detailed compliance audit on “Assessment and Collection of Profession Tax” involving money value of ₹ 26.59 crore was conducted during the period between January 2018 and May 2018 covering the periods from April 2014 to March 2017. Irregularities pointed out include the following:

- In the absence of a mechanism for cross verification of Profession Tax (PT) data with that of other departments, DCT failed to bring under its tax net 25,266 permit holders of heavy transport vehicles, liable to pay PT. This resulted in non-realisation of PT of ₹ 15.93 crore.

**(Paragraph 6.3.5.1)**

- Absence of system to cross verify turnover of enrolled persons registered as dealers under WB VAT Act, resulted in non /short realisation of ₹ 5.13 crore of PT.

**(Paragraph 6.3.6.1)**

- Absence of system to ensure payment of PT by persons enrolled under serial number 2 and 3 of the Schedule in accordance with the Annual Gross Income (AGI) and Annual Gross Turnover (AGT) respectively, resulted in non/short realisation of ₹ 4.86 crore.

**(Paragraphs 6.3.6.2)**

- In contravention of West Bengal State Tax on Professions, Trades, Calling and Employments (WBSTPTCE) Act, 1979, enrolment certificates of 105 cases were cancelled prior to the cancellation of their registration certificates (RC) under WB VAT Act.

**{Paragraph 6.3.8 (iii)}**



## **Other compliance audit observations**

### ***State Excise***

- Eight licensees were liable to pay the difference of excise duty consequent upon enhancement of excise duty during the intervening period between issue of import passes and arrival of consignments at their warehouses. The excise authorities did not realise additional excise duty of ₹ 2.73 crore from these licensees.

**(Paragraph 6.4)**

## **VII Mines and Minerals**

### **Compliance audit observations**

- In 1,382 cases, ₹ 10.09 crore of royalty and cess on extraction of earth / sand /morrum /boulder was not realised/short realised from the brick field owners, lessees and contractors.

**(Paragraph 7.4)**

- In 691 cases, price of brick earth of ₹ 9.76 crore was not recovered/short recovered, as penal action for extraction of brick earth without valid permit.

**(Paragraph 7.5)**

- Penalty to the extent of ₹ 2.25 crore, for shortfall in the extraction of sand/ stone in 36 cases was not realised.

**(Paragraph 7.6)**