

CHAPTER VI OTHER TAX RECEIPTS

6.1 Results of audit

Test check of records of the following departments conducted during the year 2005-06 revealed under assessments and loss of revenue amounting to Rs.84.70 crore in 135 cases as indicated below:

(Rupees in crore)

Sl. No.	Nature of irregularity	No. of cases	Amount
I	INDUSTRIES AND COMMERCE DEPARTMENT		
	Director of Sugar and Cane Commissioner		
1.	Non levy of interest on purchase tax	3	29.93
2.	Non levy of penalty on arrears of purchase tax	5	11.77
3.	Non raising of purchase tax demand	1	0.98
II	REVENUE DEPARTMENT		
	Commissioner of Commercial Taxes		
	A. Profession Tax		
1.	Non/short levy of tax	48	0.72
2.	Non/short levy of tax on vehicles	39	39.81
	B. Entertainments Tax and Betting Tax		
1.	Non/short levy of show tax and entertainments tax	7	0.36
2.	Short collection of security deposit	6	0.12
	C. State Excise		
1.	Short levy of annual licence fee/excise duty /toddy rentals	7	0.29
2.	Non collection of differential licence fee	4	0.20
3.	Short levy of penal interest on arrears/belated payments	7	0.06
4.	Loss of revenue due to non disposal of confiscated goods	7	0.45
5.	Other irregularities	1	0.01
	Total	135	84.70

During the year 2005-06, departments accepted under assessments etc., of Rs.6.06 crore in 407 cases, of which Rs.5.61 crore was pointed out during the year 2005-06 and the rest in earlier years. Out of 407 cases, an amount of Rs.19.01 lakh in 277 cases was realised during the year.

A few illustrative cases involving Rs.59.85 crore are mentioned in the following paragraphs.

A. INDUSTRIES AND COMMERCE DEPARTMENT
Director of Sugar and Cane Commissioner

6.2 Non levy of purchase tax/penalty

Under AP Sugarcane (Regulation of Supply and Purchase tax) Act and Rules and orders made thereunder, occupier of a sugar factory or owner of a *khandasari* unit has to pay purchase tax on sugarcane purchased by him including purchases made from cane growers of other States. Government ordered[▲] that purchase tax for the crushing seasons 2002-03 to 2004-05 be paid to the cane growers of Andhra Pradesh as additional incentive by sugar factory or *khandasari* unit and bills preferred to Commissioner of Sugar by crediting the amount to 'Tax collection-Purchase tax on sugarcane'. Sugar produced in a factory or *khandasari* unit, shall not be removed or caused to be removed until the purchase tax due to Government is paid. In case of removal of sugar before payment of tax, the owner of factory/*khandasari* unit shall also be liable to pay penalty not exceeding 100 *per cent* of the tax payable.

6.2.1 During the course of audit of office of Assistant Cane Commissioner (ACC), Chittoor it was noticed in June 2005 that a sugar factory[⊕] purchased 82,167.662 metric tonnes (MTs) of sugarcane from other States for crushing seasons during 2001-02 and 2002-03. But purchase tax at the rate of Rs.60 per MT amounting to Rs.49.30 lakh was not levied and collected.

After this was pointed out, Government stated in September 2006 that purchase tax of Rs.49.30 lakh for sugarcane purchased from other States and penalty of Rs.49.30 lakh for removal of sugar without payment of purchase tax was levied in December 2005.

6.2.2 During the course of audit of four offices[⊖] of ACC, it was noticed between November 2005 and March 2006 that sugar was removed without paying purchase tax incentive to cane growers by eight[⊖] sugar factories for crushing season 2003-04 and 2004-05. However, the department did not levy penalty of Rs.9.47 crore, equivalent to purchase tax due on the sugarcane used for producing the sugar removed.

After this was pointed out, Government in September 2006 has stated that penalty shall be levied for removal of sugar without payment of purchase tax to Government account, but not for payment of incentive cane price to the cane growers. The reply is not tenable, as incentive cane price to the cane suppliers shall be adjusted against the purchase tax for the cane purchased by the sugar mills and payable to Government.

[▲] G.O.Ms.No.495, dt.28-12-2002 read with G.O.Ms.No.600, dt.13-12-2001

[⊕] M/s Shree Vani Sugars and Industries Limited, Punganuru

[⊖] Bobbili, Khammam, Tanuku and Vuyyur

[⊖] M/s. GMR Sugars, Sankit (v), M/s. NCS Sugars Limited, Latchayapeta, M/s. Jayapore Sugars Limited, Chagallu, M/s. Andhra Sugars Limited, Tadwai, M/s. KCPS & IC Limited, Vuyyur, M/s. KCPS & IC Limited, Laxmipuram, M/s. Delta Sugars Limited, H.Junction and M/s. Madhucon Sugars Limited, Rajeswarapuram

6.3 Non levy/collection of interest on purchase tax

According to Section 21(5) of AP Sugar Cane (Regulation of Supply and Purchase) Act, 1961, interest shall be leviable on purchase tax dues at 16 *per cent* per annum from the date of closure of crushing season* till the amount is finally paid. If the tax together with interest is not paid by the occupier of a factory within the prescribed time, it shall be recoverable from him as an arrear of land revenue.

During the course of audit of ACCs of Chittoor and Nellore conducted between June and November 2005, it was observed that interest of Rs.25.26 crore was not levied/short levied from eight[®] sugar factories on purchase tax dues for the period from 1.4.2000 to 31.3.2005 in contravention of the provisions of the Act.

After this was pointed out, Commissioner in June 2006 stated that ACC, Nellore had levied interest on purchase tax. Reply from ACC, Chittoor is awaited.

The above matter was referred to Government in May 2006; response has not been received (October 2006).

B. REVENUE DEPARTMENT

Commercial Taxes

6.4 Non levy and collection of professions tax

6.4.1 Under Section 4 of Andhra Pradesh Tax on Professions, Trades, Callings and Employments Act, 1987, every person engaged in any profession, trade, calling or employment in the State and falling under any of the classes specified in the first schedule to the Act shall be liable to pay tax at the rates specified therein. Further, Government issued orders[♦] appointing Transport Commissioner as collecting agent for collection of professions tax from owners of transport vehicles (other than auto rickshaws) at Rs.750 per vehicle on road per annum.

* Crushing season means the period beginning on the 15th November in any year and ending on the 30th April next following or any other period notified by the Cane Commissioner in consultation with the Cane Development Council in respect of any particular factory or *khandasari* unit

[®] M/s. Chittoor Co-operative Sugar Limited, Chittoor, M/s.S.V. Co-operative Sugar Factory Limited, Gajulamandyam, M/s. Nizam Sugars Limited, Hindupur, M/s. Shree Vani Sugars & Industries Limited, Punganur, M/s. Prudential Sugar Corporation Limited, Nindra, M/s. Sudalagunta Sugars Limited, B.N.Kandriga, M/s Kovur Co-operative Sugar Factory Limited, Nellore, M/s NVR Co-operative Sugars Limited, Jampani

[♦] G.O.Ms.No.801 Revenue (CT-II) Department dated 18.7.03

During the course of audit of 11[≠] deputy transport commissioners' offices, and 12[▲] regional transport offices, it was noticed between July 2005 and February 2006 that professions tax amounting to Rs.24.21 crore was not levied and collected from owners of 3,22,844 vehicles on road under their jurisdiction for the year 2004-05.

6.4.2 During the course of audit of six^Φ offices of deputy commercial tax officers between April and December 2005, it was noticed that professions tax amounting to Rs.5.61 lakh was not levied and collected in 358 cases pertaining to traders, educational institutions, hospitals, rice mills, theatres etc., for the period 2004-05.

After this was pointed out, Government stated in November 2006 that an amount of Rs.3.43 lakh was collected and action is being initiated to collect the balance amount.

6.5 Non levy of interest on entertainments tax

Under Section 10(1) of Andhra Pradesh Entertainment Tax Act, 1939, if dues are not paid by proprietor of a theatre within the time specified for such payment, interest is payable at the rate of Rs 1.50 for every Rs.100 or part thereof for each such month or part thereof from the date specified for its payment.

During the course of audit of three^Υ entertainment tax offices (ETOs), it was noticed between May 2003 and June 2004 that proprietors of three theatres paid an amount of Rs.55.47 lakh towards weekly tax and arrears of entertainments tax belatedly ranging from 11 days to 34 months. Interest thereon amounting to Rs.5.39 lakh for the period from 1 April 2000 to 31 March 2004 though leviable was not levied and collected.

After this was pointed out, Government stated in November 2006 that in one case an amount of Rs.1.21 lakh was collected by ETO, Sultan Bazar and in respect of other two cases, exhibitors filed an appeal before Appellate Deputy Commissioner (Commercial Taxes) against the demand raised by the department. Further report is awaited.

State Excise Duties

6.6 Short levy of licence fee

Under Andhra Pradesh Indian Liquor and Foreign Liquor Rules, licence fee for sale of all kinds of liquor and beer and license fee for bars shall be fixed

[≠] Adilabad, Attapur (R.R. Dist.), Chittoor, Eluru, Kakinada, Karimnagar, Kurnool, Nellore, Nizamabad, Vijayawada and Warangal

[▲] Hyderabad (Bahadurpura, Dilsukhnagar), Khammam, Mancherial, Nalgonda, Narasaraopet, Ongole, Secunderabad, Siddipet, Tirupati, Uppal (R.R. Dist) and Vizianagaram

^Φ Bapatla, Eluru, Hyderabad (Hydernagar), Kamareddy, Machilipatnam and Narasaraopet

^Υ Hyderabad(Ashoknagar and Sultan Bazar) and Srikakulam

with reference to the population of the village/town/city. According to Government order of March 2002, licence fee shall be fixed with reference to the population of 2001 census for the lease years concerned. The licence fee leviable for shops located in places with population upto 10,000 is Rs.3 lakh, Rs.4.50 lakh for population ranging from 10,001 to 50,000 and Rs.8.25 lakh for population ranging from 50,001 to 3,00,000. As per Section 65 of Excise Act, all excise revenue due to Government may be recovered as if they were arrears of land revenue.

During the course of audit of two offices^Ψ of Prohibition and Excise Superintendents (PESs) conducted between December 2004 and September 2005, it was noticed that licence fee was worked out incorrectly at Rs.42.63 lakh instead of Rs.73.69 lakh resulting in short levy of licence fee of Rs.31.06 lakh as detailed below.

(Rupees in lakh)

Name of the office	Year	Population Rate	No. of licences	Licence fee payable	Licence fee paid	Short levy of licence fee
Kakinada	2002-03	2.96 lakh Rs.8.25	4	41.25	21.00	20.25
	2003-04		1			
Nizamabad	2002-03	Above 10,000	5	32.44*	21.63	10.81
	2003-04	Rs.4.50	2			
Total				73.69	42.63	31.06

After this was pointed out in January 2005, PES Kakinada replied in January 2005 that necessary action would be taken after verification and PES, Nizamabad stated in February 2006 that an amount of Rs.0.99 lakh was collected from the defaulters and action would be taken to collect the balance dues by invoking Revenue Recovery Act.

The above matter was referred to department between November 2005 and January 2006 and Government in May 2006; response was not received from them (October 2006).

^Ψ Kakinada and Nizamabad

* 1 Shop shifted from 16.6.03 to lower slab village