CHAPTER VI
RECEIPTS

6.1 Trend of revenue receipts

The total receipts of Government of the Union Territory of Pondicherry for the year 1999-2000 were Rs.877.49 crore, as against the budgeted estimates of Rs 866.02 crore. These were Rs 130.05 crore more than the previous year (Rs 747.44 crore). The total revenue included Rs 479.06 crore raised by the Government, of which Rs 260.59 crore represented tax revenue and the balance of Rs 218.47 crore, non-tax revenue. The receipts from Government of India (Rs 398.43 crore) during the year accounted for 45 *per cent* of the total receipts.

6.1.1 Analysis of revenue receipts

An analysis of the receipts during the year 1999-2000 with the corresponding figures for the preceding two years is given below:

(Rupees in crore)

Serial number		1997-98	1998-99	1999-2000
I	Revenue raised by the Government (a) Tax revenue (b) Non-tax revenue	 208.60 131.89	 224.98 171.96	 260.59 218.47
	Total (I)	340.49	396.94	479.06
II	Receipts from Government of India Grants-in-aid	261.73	350.50	398.43
III	Total receipts of the Government (I + II)	602.22	747.44	877.49
IV	Percentage of I to III	56.54	53.11	54.60

(a) Tax receipts

Tax receipts during 1999-2000 constituted 54 *per cent* of the revenue raised by the Union Territory. Break-up of tax revenue for the year 1999-2000 and the preceding two years is given below:

(Rupees in crore)

Serial number	Tax Heads	1997-98	1998-99	1999-2000	Percentage of Increase (+)/ Decrease (-) in 1999-2000 over 1998-99
1	Sales Tax	133.36	148.63	171.42	(+) 15.33
2	State Excise	47.31	51.93	61.00	(+) 17.47
3	Stamp Duty and Registration Fees	12.15	8.02	9.47	(+) 18.08
4	Taxes on Vehicles	14.95	15.62	17.65	(+) 13.00
5	Land Revenue	0.40	0.38	0.88	(+) 131.58
6	Others	0.43	0.40	0.17	(-) 57.50
	Total	**208.60**	**224.98**	**260.59**	

Reasons for variations as stated by the departments concerned are given below:

Sales Tax

The increase (15.33 *per cent*) was due to changes in the rate of tax for certain commodities and general buoyancy.

State Excise

The increase (17.47 *per cent*) was due to upward revision of Excise Duties on Indian made foreign liquor and beer, revision of licence fees on FL 1 and FL 2 shops, obtaining of more number of export/transport permits by licencees and collection of arrears amount.

Stamp Duty and Registration Fees

The increase (18.08 *per cent*) was due to increased sale of stamp and stamp papers during 1999-2000.

Taxes on vehicles

The increase (13 *per cent*) was due to upward revision of taxes and collection of arrears.

Land Revenue

The increase (131.58 *per cent*) was due to more collection of land tax during the year 1998-99.

The reason for variation called for from other departments have not been received (November 2000).

(b) *Non-tax revenue*

Receipts from non-tax revenue during 1999-2000 constituted 46 *per cent* of the revenue raised by the Union Territory. Break-up of non-tax revenue under the principal heads for the year 1999-2000 and the preceding two years is given below:

(Rupees in lakh)

Serial number	Non-tax Heads	1997-98	1998-99	1999-2000	Percentage of Increase (+)/ Decrease (-) in 1999-2000 over 1998-99
(1)	(2)	(3)	(4)	(5)	(6)
1	Power	12,144.02	15,909.42	20,232.29	(+) 27.17
2	Interest Receipts, Dividends and Profits	172.05	258.18	222.34	(-) 13.88
3	Medical and Public Health	125.88	166.62	285.44	(+) 71.31

(1)	(2)	(3)	(4)	(5)	(6)
4	Education, Sports, Art and Culture.	55.13	28.29	80.20	(+) 183.49
5	Crop Husbandry	29.46	34.28	43.23	(+) 26.11
6	Public Works	51.16	157.11	90.84	(-) 42.18
7	Other Receipts	611.10	642.45	892.45	(+) 38.91
	Total	**13,188.80**	**17,196.35**	**21,846.79**	

Reasons for variations as stated by the departments concerned are given below:

Interest receipts, Dividends and Profits

The decrease (13.88 *per cent*) was due to non-payment of interest by Pondicherry Agro Products, Food and Civil Supplies Corporation Limited, Pondicherry.

Medical and Public Health

The increase (71.31 *per cent*) was mainly due to the receipts of share from the Employees State Insurance Corporation in respect of insured persons and hospital stoppage charges etc.

Education, Sports, Art and Culture

The increase (183.49 *per cent*) was due to more number of unserviceable/condemned articles disposed of through auctions than previous year.

Crop Husbandry

The increase (26.11 *per cent*) was due to more sale of agricultural products/inputs.

Public Works

The decrease (42.18 *per cent*) was due to less sale of tender documents, auction sale of unserviceable materials, collection of fees for the registration of contractors and collection charges for scrutinising the work estimates.

Reasons for variations called for from other departments had not been received (November 2000).

6.2 Arrears of revenue

The arrears of revenue pending collection as on 31 March 2000 under principal heads of revenue, as reported by the departments, amounted to Rs 61.27 crore as indicated in Appendix 35.

6.3 Frauds and evasions

(i) Details of cases of frauds and evasion of Sales Tax at the end of 31 March 2000 as reported by the department were as under:

Details	Number of cases
A (i) Cases pending as on 1 April 1999	21
(ii) Cases detected during the year	87
B Cases in which investigation/assessments were completed during the year	65
(i) Out of cases in A(i) above	9
(ii) Out of cases in A (ii) above	56
C Cases which were pending as on 31 March 2000	43
(i) Out of cases in A(i) above	12
(ii) Out of cases in A(ii) above	31
D In respect of cases where investigation/assessments had been completed	
(i) Amount of additional demand raised	Rs 6.96 lakh
(ii) Amount involved in penalty	Rs 1.00 lakh

6.4 Internal audit

While internal audit was introduced in Registration and Commercial Taxes Departments (1978) and in Land Revenue Department (1981), it had not yet been introduced in State Excise and Transport Departments.

Non-existence of internal audit system in both these departments had been commented upon in previous reports of the Comptroller and Auditor General of India. However there was no response from the Government.

The pendency position reported by the Commercial Taxes Department (June 2000) is as under:

Year	Number of offices due for audit	Completed	Balance
Upto 1994-95	7	4	3
1995-96	7	4	3
1996-97	7	3	4
1997-98	7	3	4
1998-99	7	3	4
1999-2000	7	1	6

The Registration Department had not conducted internal audit during 1996-97 to 1999-2000. The Department stated (October 2000) that internal audit was not conducted from October 1996 onwards due to non-filling up of the vacancies.

6.5 Outstanding inspection reports and audit observations

Audit observations on incorrect assessments, under-assessments, non-levy/short-levy of taxes, duties, fees and other revenue receipts, defects in initial accounts, etc., noticed during local audit but not settled on the spot are communicated to the Heads of Offices and to the higher authorities through local audit reports. Important irregularities are also reported to the Heads of Department and Government.

At the end of June 2000, 87 inspection reports relating to various departments issued upto 31 December 1999 containing 234 audit observations involving receipts amounting to Rs 42.92 crore were pending settlement.

6.6 Results of audit

Test-check of records of the following departmental offices conducted by Audit during the period from April 1999 to March 2000 revealed under-assessments/non-levy of tax, etc., amounting to Rs 34.34 crore in 90 cases as detailed below:

Serial number	Heads of Revenue	Number of cases	Amount (Rupees in lakh)
1	State Excise	8	342.44
2	Stamp Duty & Registration Fees	14	6.91
3	Sales Tax	62	3070.75
4	Taxes on Vehicles	6	13.85
	Total	**90**	**3433.95**

During 1999-2000, the Commercial Taxes Department accepted and collected Rs 0.78 lakh in 6 cases out of which 4 cases amounting to Rs 0.65 lakh were pointed out during 1999-2000 and the rest during earlier years.

A few illustrative cases involving a financial effect of Rs 12.06 crore are given below:

COMMERCIAL TAXES DEPARTMENT

6.7 Incorrect grant of exemption from levy of tax

Incorrect grant of exemption on inter-state sale of goods for Rs 303.80 crore manufactured by 48 small scale industries resulted in non-levy of tax amounting to Rs 11.83 crore.

Under Section 8(2-A) of the Central Sales Tax Act, 1956, no tax is leviable on the inter-state sale of any goods, the sale or purchase of which is exempt from tax generally under the Sales Tax Law of the appropriate State. The sale of goods shall not be deemed to be exempted from tax generally under the Sales Tax Law of the appropriate State, if the sale or purchase of such goods is exempted only in specified circumstances or under specified conditions.

By a notification issued on 25 June 1974, exemption was granted under the Pondicherry General Sales Tax Act, 1967, for a period of five years from the date of commencement of production in respect of (i) small scale industries which went into production on or after 6 November 1969 and (ii) industries other than small scale industries which went into production on or after 1 April 1971 as certified by the Director of Industries. It has been judicially held* that exemption from Central Sales Tax under Section 8(2-A) is available only where the sale or purchase of such goods is exempted 'generally' under General Sales Tax Act. Since the exemption granted under Pondicherry General Sales Tax was not general, the same would not be applicable to inter-state sale of goods manufactured by such industries.

In Industrial Assessment Circle II & IV, Pondicherry and Karaikal Assessment Circles, inter-state sale of goods for Rs 303.80 crore during the years 1993-94 to 1997-98 manufactured by 48 of such industries was exempted from tax, treating them as sales covered by the above notification.

* **Jammu & Kashmir and others Vs. Pine Chemicals Ltd. 96 STC 355 (Supreme Court)**

This resulted in non-levy of tax amounting to Rs 11.83 crore as detailed in Appendix 36.

On this being pointed out (between July 1998 and December 1999), the Department contended (December 1999) that as per the notification issued (August 1999) by the Government, exemption on inter-state sale could be allowed with retrospective effect and therefore, the exemptions allowed were in order.

The reply of the Department was not acceptable since it has been judicially held* that the State Government have no power to issue notification granting exemption with retrospective effect under the Central Sales Tax Act, 1956. Further report had not been received (November 2000).

TRANSPORT DEPARTMENT

6.8 Short levy due to incorrect classification of Light Motor Vehicle as Maxi Cab

Incorrect classification of 143 Light Motor Vehicles as Maxi Cabs resulted in short levy of Rs 13.90 lakh.

Under Pondicherry Motor Vehicle Taxation Act, 1967, a 'maxi cab' has been defined as any motor vehicle constructed or adopted to carry upto 12 passengers excluding the driver, for hire or reward. The tax leviable for the maxi cab under the Act is Rs 1320 per vehicle per quarter. Whereas for a contract carriage vehicle constructed or adopted to carry not more than 27 passengers including the driver, the tax leviable thereon is Rs 250 per seat per quarter.

In Pondicherry region, 143 Light Motor Vehicles (manufactured by M/s. Mahindra & Mahindra Ltd. Model – FJ 470 DS) with a seating capacity of 16 in all (as per manufacturer's certificate) were registered during 1993 to 1996 as maxi cab with seating capacity of 12 and permits issued accordingly. Tax had also been collected for 12 seats only. It was, however, noticed (July 1998) that light motor vehicles of the same model when registered with a seating capacity of 16 were registered as omnibus contract carriages.

* **Kaliram Ramkumar & another Vs. Sales Tax Officer, Kalahandi and Another – 75 STC 368 High Court of Orissa at Cuttack**

Accordingly, these vehicles with a seating capacity of 16 were classifiable as contract carriage and tax shall be leviable at the rate of Rs 250 per seat per quarter. This incorrect classification resulted in short levy of tax amounting to Rs 13.90 lakh.

This was brought to the notice of the Department (October 1998) and to the Government (March/August 2000); their replies had not been received (November 2000).

ELECTRICITY DEPARTMENT

6.9 Short-realisation of surcharge for low power factor

Non-inclusion of all items of current consumption charges for levying surcharge for low power factor resulted in short realisation of Rs 8.90 lakh.

According to the terms and conditions of supply of electricity, High Tension (HT) consumers shall have to maintain an average power factor of not less than 0.85. If this is not maintained, surcharge shall be payable at the rate of one *per cent* of the current consumption charges for that month for every 0.01 reduction in power factor. The current consumption charges for this purpose includes HT unit charges, demand charges, light load unit charges and unit charges for quarters.

Test-check of energy bills raised by Electricity Department for the months from February 1999 to November 1999 revealed that the department raised demand for surcharge for low power factor from 41 HT consumers only on HT unit charges instead of current consumption charges which resulted in short realisation of surcharge amounting to Rs 8.90 lakh.

Government in their reply (September 2000) agreed that current consumption means energy plus demand charges but contended that imposing low power factor penalty on demand charges would be injudicious as demand charges would not be affected by low power factor.

The reply was not tenable as the current consumption charges also include the demand charges.