

Chapter V: Other Tax Receipts

5.1 Results of audit

Test check of records of Excise duty, Electricity duty, Entertainment tax and Land revenue during the year 2004-2005 revealed irregularities amounting to Rs.50.81 crore in 452 cases which broadly fall under the following categories.

(In crore of rupees)

Sr. No.	Category	Number of cases	Amount
A: Electricity Duty			
1.	Non deposit of electricity duty	1	21.06
2.	Collection of inspection fee of electrical installations	1	1.94
	Total	2	23.00
B: Entertainment Tax			
1.	Non recovery of entertainment tax from cinema houses	43	8.73
2.	Non payment of entertainment tax from cable operators/video parlours	231	0.30
3.	Short realisation of entertainment tax	75	2.06
4.	Other irregularities	18	3.78
	Total	367	14.87
C: Land Revenue			
1.	Short/non recovery of chowkidara tax	27	1.00
2.	Non recovery of departmental charges	19	0.22
3.	Short/non recovery of mutation fee	9	0.13
4.	Management of Nazool and other Government land	1	6.59
	Total	56	7.94
D: State Excise Duty			
1.	Loss of excise duty due to sub normal yield of spirit from molasses	6	4.80
2.	Other irregularities	21	0.20
	Total	27	5.00
	Grand total	452	50.81

During the year 2004-2005, the Department accepted audit observations involving Rs.10.33 crore in 241 cases. Department recovered Rs.3.52 lakh in six cases pertaining to audit findings of earlier years.

A few illustrative cases highlighting irregularities involving financial effect of Rs.32.18 crore are given in the following paragraphs.

A: Electricity Duty

5.2 Unauthorised retention of electricity duty

Under the Punjab Electricity Duty Act, 1958 and Rules made thereunder, the electricity duty leviable on the energy supplied by the Board shall be collected by the Board alongwith the bills for energy supplied to consumers and deposited with the Government by 20th of the following month. The Board shall submit to the Chief Electrical Inspector (CEI), by the 20th of every month a statement in the prescribed form showing duty assessed, realised, deposited and balance retained/unrecovered. The Government in the meeting held in April 2000 to review the tax and non tax revenue receipts of the State had termed retention of Government dues by the Board as illegal.

Test check of records of CEI in July 2004, revealed that though the Board had been submitting the prescribed monthly returns regularly, it had retained unauthorisedly an amount of Rs.21.06 crore on account of electricity duty collected from consumers for the period from April 2003 to March 2004.

After this was pointed out by audit, the CEI stated in August 2004 that Board has been requested to deposit the amount of electricity duty retained unauthorisedly. Further development was awaited (September 2005).

The matter was brought to the notice of the Government in February 2005; their replies were awaited (September 2005).

B: Entertainment Tax

5.3 Short collection of entertainment tax

Under the Punjab Entertainment Tax (Cinematograph Shows) Act, 1954 as amended in 1994, entertainment tax at the prescribed rates on the gross collection capacity per show in a cinema house was required to be paid to the State Government. The proprietor may, at his option and subject to such conditions as may be prescribed, pay entertainment tax to the State Government fortnightly. In case of non payment of tax in time, interest at the rates prescribed is also leviable.

During test check of records of Assistant Excise and Taxation Commissioners (AETCs) Ludhiana-I & II for the year 2003-2004, it was noticed between July and September 2004 that entertainment tax of Rs.1.13 crore was deposited short by the cinema owners. Besides, an amount of Rs.12.89 lakh on account of interest was also recoverable. The AETCs neither called for the reasons for short deposit nor raised any demand for recovery.

After this was pointed out in audit, it was intimated by AETC Ludhiana-I in May 2005 that an amount of Rs.12.13 lakh had been recovered from the cinema owners. AETC Ludhiana-II stated that relaxation in payment of entertainment tax to the extent of 33 *per cent* was announced by the Government. The reply could not be verified as requisite notification for relaxation in payment was not produced to audit.

The matter was reported to the Department and referred to the Government in February and March 2005 respectively; replies were awaited (September 2005).

C: Land Revenue

5.4 Non deduction of collection charges

The Punjab Land Revenue Act, 1887 (Act) and Rules made thereunder provide that collection charges at the rate of two *per cent* for expenses of collection are required to be deducted by the Collector from the amount collected on behalf of local bodies, corporations, banks etc. as arrears of land revenue.

During test check of records of District Collectors (Collector) Kapurthala and Sangrur, it was noticed in November 2004 that though an amount of Rs.4.40 crore was recovered on behalf of local bodies, banks, khadi boards and corporations etc. during the period November 2001 to September 2004 but collection charges amounting to Rs.8.80 lakh were not deducted from the amount recovered.

The matter was brought to the notice of Government in February 2005. It was intimated by the Government in March 2005 that the Act did not provide for deduction of collection charges as these were not fixed by the State Government. The reply was not tenable as Rules provide that a charge of two *per cent* for expenses of collection shall be deducted by the Collector from all sums collected.

5.5 Management of Nazool and other Government lands

5.5.1 Introduction

Management of Nazool and other Government lands including preparation and maintenance of records of rights in lands, the assessment and collection of land revenue and other matters relating to land under the Act vests in the Revenue Department of the State Government. Nazool land represents land situated beyond two miles of municipal limits and escheated to the State Government and not appropriated by the Government for any specific purpose. These lands are transferred/allotted to the members of the Scheduled Castes, Scheduled Castes Land Owning Co-operative Societies or auctioned to the members of scheduled castes in accordance with the Nazool Lands (Transfer) Rules, 1956 (Rules).

5.5.2 Management of Nazool Land

- **Non disposal of Nazool Land**

Under the Rules, where Nazool land available in villages is 10 acres or more, it may be allotted either to Scheduled Castes Co-operative Societies formed before 16 May 1964 or individuals belonging to the scheduled castes. In a village where Nazool land available is less than 10 acres and is being leased to individuals belonging to scheduled castes, it may be allotted to the present lessees provided they do not own any land of their own. Those who own some land may be allowed such area as would make their holding up to one unit (i.e. 10 acres) of Nazool land.

In four tehsils^{*}, it was noticed that though land measuring 20 acres and six kanals under lease was available for allotment, no efforts were made by the Department to allot it to the eligible members of scheduled castes.

After this was pointed out in audit between November 2004 and February 2005, it was stated by Tehsildars that action would be taken to dispose of the land. Further progress was awaited (September 2005).

- **Non assessment of penal rent**

The State Government fixed (November 1990 and April 1997) rent at the rate of Rs.500 per annum to be levied and recovered for unauthorised use of rural evacuee land but no such rate to be levied and recovered for unauthorised occupants of Nazool lands are prescribed. However, under the Punjab Security of Land Tenures Act, 1953, the maximum rent payable by a tenant for any land held by him shall not exceed one third of the crop or the value thereof and where the customary rent is less than one third, the maximum rent shall be such customary rent.

It was noticed that 309 acres and one marla Nazool land in four^{**} tehsils was under unauthorised occupation but no action to assess the penal rent had been taken by the Collector.

After this was pointed out in audit between November 2004 and January 2005 the Tehsildar Malerkotla stated in January 2005 that no policy regarding penal rent had been framed by the Government, whereas, Tehsildar Kapurthala stated in November 2004 that reply would be sent after consulting the record. Replies from other Tehsildars were awaited (September 2005).

* **Baba Bakala (2A, 2K, 11M), Malerkotla (2A, 4K), Pathankot (7K, 4M) and Sangrur (15A, 5M).**

Acres= 8 Kanal, Kanal = 20 Marlas, Marla = 25 Sq yards.

** **Dera Baba Nanak (11A, 5K, 4M), Kapurthala (274A), Malerkotla (17A) and Pathankot (6A, 2K, 17M).**

5.5.3 Management of Other Government Land

- **Loss of revenue due to non leasing of Government land (provincial land)**

Other Government land mainly comprises of rural/urban evacuee agricultural land. It also includes provincial Government land situated in urban/rural areas. Under Punjab Package Deal Properties (Disposal) Act, 1976 and the policy decision of the State Government, such lands are leased out through auction before their final disposal/transfer. Persons occupying such land unauthorisedly are required to pay damages in the shape of rent to the Government.

In tehsils of Amritsar-I and Rampura Phool provincial land measuring 531 acres, one kanal and 17 marlas was under the possession of unauthorised occupants for the last five years but no action was taken for recovery of penal rent from the occupants. This resulted in loss of revenue of Rs.13.28 lakh (calculated at the rate of Rs.500 per acre per year being charged for rural evacuee land) due to non leasing of the land during 1999-2000 to 2003-2004.

After this was pointed out in audit, Tehsildar Rampura Phool stated in February 2005 that there was no policy of Government to let out provincial land and Tehsildar Amritsar I stated in December 2004 that action would be taken. The reply of the Tehsildar Rampura Phool is not tenable as Tehsildars of Nakodar and Phagwara were charging damages in form of rent at the rate of Rs.500 per acre per year.

5.5.4 Non recovery of rent

Test check of records of Tehsildar Nakodar revealed that provincial land to the extent of 267 acres, one kanal and 15 marlas was under the possession of unauthorised occupants. The rent of Rs.1.77 lakh for the year 2003-2004 had been assessed by the Tehsildar but no action to recover the amount was taken.

After this was pointed out in audit, the Tehsildar stated in January 2005 that efforts were being made to recover the amount of rent from unauthorised occupants. Further progress of recovery was awaited (September 2005).

- **Loss of revenue due to undervaluation of land**

The State Government laid down in April 1997 the policy for disposal of rural evacuee land and fixed the rate for transfer of Government land at the rate of Rs.7,000 for persons of general category and Rs.6,000 per acre for members of scheduled castes and backward classes. Subsequently, the Government revised the rates in October 2003 to 15 and 10 *per cent* of market value respectively fixed by the Collector per acre to be charged. These rates were

made applicable to all allotments made in pursuance of Punjab Government orders issued in December 2001 and November 2002.

In seven tehsils, land measuring 916 acres, two kanals and six marlas was allotted to unauthorised occupants at old rates during the period between June 2002 and September 2004 instead of revised rates of the market value of land fixed by Collectors which resulted in loss of revenue of Rs.4.80 crore as detailed below:-

S. No.	Name of Tehsil	Area sold / transferred			Amount required to be recovered	Amount recovered	Difference
1	2	3			4	5	6
		A	K	M	(In lakh of rupees)		
1.	Tarn Taran	19	2	11	3.71	1.59	2.12
2.	Amritsar II	2	7	10	0.85	0.39	0.46
3.	Dhuri	3	6	16	1.44	0.27	1.17
4.	Pathankot	5	4	4	1.71	0.40	1.31
5.	Gurdaspur	197	0	13	31.08	12.94	18.14
6.	Phillaur	630	1	2	477.36	42.60	434.76
7.	Kapurthala	57	3	10	25.63	3.76	21.87
	Total	916	2	6	541.78	61.95	479.83

After this was pointed out in audit in January and February 2005, it was stated by the Tehsildars, Tarn Taran, Amritsar II and Dhuri that these cases would be examined and recovery be made. No reply was furnished by the remaining Tehsildars. Final replies were awaited (September 2005).

Non recovery of penal rent

In terms of Government orders issued in November 1990, rent for unauthorised occupation and cultivation of rural and urban evacuee agricultural land is chargeable at the rate of Rs.250 and Rs.1,000 per acre per harvest respectively.

- In 13 tehsils of six districts, 10,809 acres, six kanals and 10 marlas rural evacuee agricultural land was under unauthorised occupation and cultivation during the period from 1999-2000 to 2003-2004. The penal rent of Rs.1.40 crore for unauthorised occupation was not assessed as per details shown in Appendix - II.

After this was pointed out by audit between October 2004 and February 2005, it was stated by nine* Tehsildars that demands were sent to the Collectors for approval and recovery would be made on receipt of approval while Tehsildars, Bathinda and Sultanpur Lodhi (Kapurthala District) stated that recovery would be made after consultation of record and no reply was furnished by Tehsildars, Gurdaspur and Dera Baba Nanak.

* Amritsar-I & II, Dhuri, Jalandhar-I & II, Malerkotla, Nakodar, Shahkot and Tarn Taran.

- Similarly, in four districts (seven tehsils) penal rent of Rs.24.67 lakh in respect of 424 acres, five kanals and four marlas urban evacuee land under unauthorised occupation was neither assessed nor recovered during the period from 1999-2000 to 2003-2004 as detailed in Appendix-II.

After this was pointed out in audit, it was stated between October 2004 and February 2005 by the Tehsildars that efforts were being made to recover the rent. Tehsildars, Sultanpur Lodhi and Kapurthala stated that reply would be sent after consulting the records. Further progress of the recovery was awaited (September 2005).

5.5.5 Non maintenance of records

• At tehsil level

According to instructions for the sale of rural evacuee property issued in 1962, registers (Form S-V & S-VI) are required to be maintained to monitor the progress of recovery of instalments of rent in respect of rural evacuee agricultural land. It was noticed in tehsils, Malerkotla, Sangrur and Sultanpur Lodhi that these registers were not maintained. Further, registers of co-operative societies/ individuals (Nazool land register) were also not maintained by Tehsildars, Phagwara and Sangrur. Tehsildar, Sangrur intimated that register would be maintained and shown to audit.

• At district and directorate level

No records have been maintained at district and directorate level to show the total land being managed in the district and State as a whole.

A cross check of records maintained at Tehsil level vis a vis record at district level revealed that there were wide variations in the area in respect of rural evacuee land and provincial land exhibited in the records of both offices as illustrated below:

(A) Rural Evacuee Land

Sr. No.	Name of the Tehsil	As per information supplied by DRO			As per tehsil record			Difference		
		A*	K*	M*	A	K	M	A	K	M
1.	Pathankot	1,173	6	13	1,185	4	3	(-)11	5	10
2.	Amritsar II	89	0	03	79	0	0	10	0	03
3.	Amritsar I	205	2	16	197	0	0	8	2	16
4.	Tarn Taran	62	2	10	76	5	11	(-)14	3	01
5.	Baba Bakala	7	0	09	5	3	05	1	5	04
6.	Rampura Phool	24	0	18	-	-	-	24	0	18
	Total	1,561	05	09	1,543	4	19	18	0	10

* A Acre
K Kanal
M Marla

(B) Provincial Land

		A	K	M	A	K	M	A	K	M
1.	Pathankot	921	4	19	-	-	-	921	4	19
2.	Tarn Taran	401	1	04	-	--	-	401	1	04
3.	Baba Bakala	33	0	00	-	-	-	33	0	00
4.	Rampura Phool	479	3	19	371	1	17	108	2	02
5.	Bathinda	611	7	10	688	5	09	(-76)	5	19
	Total	2,447	1	12	1,059	7	6	1,387	2	6

(C) Nazool Land

		A	K	M	A	K	M	A	K	M
1.	Pathankot	109	18	00	7	2	01	102	15	19
2.	Dera Baba Nanak	125	04	00	11	05	04	113	06	16
3.	Gurdaspur	112	09	00	-	-	-	112	09	00
	Total	349	7	0	18	07	05	330	7	15
	Grand Total	4,358	6	1	2,622	3	10	1,736	2	11

It would be seen from above that land shown in the records of District Revenue Officer was in excess of the land shown by the Tehsildars which indicates that land measuring 1,736 acres, two kanals and 11 marlas was under unauthorised occupation.

5.5.6 Internal control mechanism

No internal control mechanism to monitor the management of Nazool and other Government land as regards allotment, lease, auction and assessment and recovery of rent had been evolved. Similarly, neither any periodical reports/returns which could be used as effective tools for exercising internal controls had been prescribed nor had an internal audit of the records relating to Nazool and other Government land conducted.

The above points were brought to the notice of the Department and reported to the Government in March 2005; replies were still awaited (September 2005).

D: State Excise Duties

5.6 Sub normal yield of spirit from molasses

The Punjab Distillery Rules, 1932, (Rules) envisage that one quintal of molasses should yield 36.61 proof litres of spirit.

During test check of records of four* distilleries it was noticed between August and December 2004 that 5.24 crore proof litres of spirit was produced during

* M/s Khasa Distillery Co. Khasa (Amritsar), M/s Jagatjit Distilleries Industries Ltd. Hamira, Kapurthala, M/s Patiala Distillers & Manufacture Ltd. Vill Main Patiala and M/s Chandigarh Distillers & Bottlers Ltd. Banur (Patiala).

the year 2003-2004 from 14.89 lakh quintals of molasses as against envisaged yield of 5.45 crore proof litres of spirit. Had the norms for yield of spirit been achieved, the Government would have earned excise duty of Rs.3.18 crore on additional yield of 21.23 lakh proof litres of spirit.

After this was pointed out in audit between August and December 2004, Excise and Taxation Officer (ETO) Khasa (Amritsar) stated in November 2004 that the percentage of sugar contents in the molasses supplied by the sugar mills was not constant and molasses were not of good quality hence, it was not possible to obtain spirit as per norms. ETO Patiala Distillery stated in September 2004 that with advancement of technology sugar mills were extracting maximum sugar from sugarcane and the sugar contents were reduced to a minimum in the molasses while ETO Hamira stated that matter would be taken up with higher authorities. The reply was not tenable as the Government has prescribed the norms of yield of spirit in Rules, which should be observed.

The matter was brought to the notice of the Department and referred to the Government between February and March 2005; their replies were awaited (September 2005).

Chandigarh: (Sunil Verma)
The Principal Accountant General (Audit), Punjab

Countersigned

New Delhi: (Vijayendra N. Kaul)
The Comptroller and Auditor General of India