

Chapter VI: Other Tax Receipts

6.1 Results of audit

Test check of the records of electricity duty, land revenue and entertainment tax/duty, during the year 2007-08, revealed irregularities amounting to Rs. 158.04 crore in 92 cases, which broadly fall under the following categories:

| (In crore of rupees) | | | |
|-----------------------------|--|-----------------|---------------|
| Sr. No. | Category | Number of cases | Amount |
| A: Electricity duty | | | |
| 1. | Levy and collection of electricity duty (A review) | 1 | 149.88 |
| 2. | Non-collection of inspection fee | 1 | 0.70 |
| 3. | Non-recovery of penalty | 1 | 0.01 |
| Total | | 3 | 150.59 |
| B: Land revenue | | | |
| 1. | Non/short recovery of <i>chowkidara</i> tax | 24 | 0.96 |
| 2. | Non-recovery of departmental charges | 22 | 0.66 |
| 3. | Management of <i>Nazool</i> and other Government land | 07 | 0.37 |
| 4. | Other irregularities | 07 | 0.19 |
| Total | | 60 | 2.18 |
| C: Entertainment tax | | | |
| 1. | Non-recovery of entertainment tax/duty from cinema houses/video parlours | 17 | 5.07 |
| 2. | Non-recovery of entertainment duty from cable operators | 12 | 0.20 |
| Total | | 29 | 5.27 |
| Grand total | | 92 | 158.04 |

During the year 2007-08, the concerned departments accepted audit observations involving Rs. 53.76 crore in 57 cases and recovered Rs. 23 lakh in four cases pertaining to the audit findings of the earlier years.

A review of '**Levy and collection of electricity duty**' involving Rs. 149.88 crore and a few illustrative cases involving Rs. 8.45 crore are mentioned in the succeeding paragraphs.

A: Electricity Duty

6.2 Levy and collection of electricity duty

Highlights

In the absence of the return having all the requisite information, the Chief Electrical Inspector could not detect incorrect availment of exemption of ED of Rs. 25.29 lakh by a captive power plant.

(Paragraph 6.2.8)

Shortfall in the prescribed number of inspections of electrical installations resulted in loss of revenue amounting to Rs. 8.21 crore.

(Paragraph 6.2.9.1)

Arrears of revenue at the end of the year 2006-07 had accumulated from Rs. 29.75 crore to Rs. 82.28 crore due to non-pursuance by the Chief Electrical Inspector.

(Paragraph 6.2.10)

Failure on the part of the Chief Electrical Inspector to verify the correctness of levy and collection of electricity duty resulted in non-demand/recovery of differential electricity duty of Rs. 140.56 crore.

(Paragraph 6.2.12)

6.2.1 Introduction

Levy and collection of duty on electricity and fees was governed by the Punjab Electricity (Duty) Act, 1958 upto 9 May 2005 and thereafter are governed under the Punjab Electricity (Duty) Act, 2005 (PED Act) and Punjab Electricity (Duty) Rules 1958, (Rules). Under the Electricity Act, 2003, which is a Central Act and Indian Electricity Rules, 1956, fees for inspection of electrical installations is levied and collected. Every licensee, licensed to sell electricity, is responsible for collecting electricity duty (ED) from the consumers and crediting it to the Government by the prescribed dates. Under the PED Act, if in the opinion of the inspecting officer, the Punjab State Electricity Board (Board) or the licensee or the electricity trader or the generating company or the consumer, as the case may be, evades or attempts to evade the payment of duty, whether by maintaining false records or by submitting false returns or by concealing the energy consumed or by any other means, they shall pay by way of penalty, in addition to the duty payable under this Act, a sum not exceeding four times the amount of the electricity duty as may be determined by the inspecting officer. However, the PED Act is silent about the levy of penalty on delayed payments of duty by the Board or the licensee or the consumer.

The Chief Electrical Inspector Punjab at Patiala (CEI) is responsible for checking the assessments and levy of duty. He is also required to watch the timely submission of prescribed returns due to him. He is required to submit to the State Government a monthly statement in respect of assessments/realisation of duty and is empowered to recover the duty from the defaulters through the Collector as arrears of land revenue. He is also responsible for

conducting periodical inspections and testing of electrical installations of high, extra high and medium/low voltage.

It was decided by audit to review the accuracy of levy and collection of ED. The review revealed a number of system and compliance deficiencies which have been discussed in the subsequent paragraphs.

6.2.2 Organisational set up

The CEI under the administrative control of Power and Irrigation Department is responsible for the administration of the Acts and Rules. He is assisted by three Electrical Inspectors and 17 Assistant Electrical Inspectors at head office. They perform their duties in the area of their jurisdiction. The State is divided in three zones, each under the charge of an Electrical Inspector. The zones are further divided into 17 circles under the charge of an Assistant Electrical Inspector.

6.2.3 Scope and methodology of audit

The review of the efficacy of the system of levy and collection of ED and inspection fees for the period 2004-05 to 2006-07 was conducted in the office of the CEI in October 2007. During the course of audit, data/information obtained from the Board were also cross verified with the records maintained by the CEI.

6.2.4 Audit objectives

The review was conducted with a view to:

- assess the efficiency and effectiveness of the system of levy and collection of ED;
- ascertain that statutory inspections of electric installations were being carried out and fees for inspections was being realised; and
- assess whether an adequate internal control mechanism existed to ensure proper/prompt realisation of ED and fees.

6.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation of the Power and Irrigation Department and CEI in providing necessary information and records for audit. The draft review report was forwarded to the department and the Government in December 2007 and was discussed in the Audit Review Committee meeting held in March 2008. The Secretary to the Government Power and Irrigation Department represented the Government while the CEI represented the department. Views of the Government/department have been incorporated in the relevant paragraphs.

6.2.6 Trend of revenue

Under the provisions of the Punjab Budget Manual, the actuals of the previous year and the revised estimates ordinarily afford the best guide in framing the

budget estimates and a continuance of any growth or decline in income by them may, in the absence of definite reasons to the contrary, properly be assumed in all cases in which the proportionate estimates can be usefully employed. The budget estimates and actual realisation of ED and inspection fees during the years 2004-05 to 2006-07 are mentioned below:

(In crore of rupees)

| Year | Budget estimates | Actuals | Variations excess (+) shortfall (-) | Percentage of variations |
|---------|------------------|---------|-------------------------------------|--------------------------|
| 2004-05 | 275.00 | 251.65 | (-) 23.35 | (-) 8.49 |
| 2005-06 | 500.00 | 669.41 | (+) 169.41 | (+) 33.88 |
| 2006-07 | 554.75 | 527.58 | (-) 27.17 | (-) 4.90 |

After this was pointed out, the CEI stated that the increase in budget estimates during 2005-06 and 2006-07 as compared to 2004-05 was due to revision of rate of ED from five *per cent* to 10 *per cent* during these years. The excess realisation in 2005-06 was due to the receipts of arrears of ED from the Board.

Audit findings

System deficiencies

6.2.7 Non-levy of surcharge

Under the provisions of the Electricity Supply Regulations Act, 1948, in case the consumers fails to make the payment by the due date, the Board levies surcharge at the rate of five *per cent* on large supply consumers and at the rate of 10 *per cent* on other consumers on the sale of power excluding ED. However, the PED Act is silent about the levy of penalty on delayed payments of ED by the Board or the licensee or the consumer.

The Annual Statement of Accounts of the Board revealed that the Board realised surcharge amounting to Rs. 211.88 crore on account of delayed payment of electricity bills by the consumers during 2004-05 to 2006-07. As there is no provision for the levy of surcharge on delayed payment of ED in the Act/Rules, surcharge of Rs. 21.19 crore (i.e. 10 *per cent* of Rs. 211.88 crore) could not accrue to the State Government.

After the case was reported to the department, the CEI intimated in April 2008 that there is no provision for the levy of penalty on delayed payment of ED. However, provision for the same has been made in the proposed draft Punjab Electricity Duty Rules pending with the Government for approval.

6.2.8 Irregular grant of exemption

Under the provision of PED Rules, a person generating energy for his own use or consumption shall submit to the CEI by 10th of every month, a statement in the prescribed form showing the details of duty assessed and paid. **The prescribed form however, did not contain a column for electricity generated by the captive power plant (CPP).** As per the notification issued by the Government in September 2005, any person, who owns and holds not less than 26 *per cent* of the ownership of a captive generating plant and

consumes electricity for his own use not less than 51 *per cent* of the aggregate electricity, generated in such plant, determined on an annual basis by the competent authority, shall be exempt from payment of ED.

During review of the records of the CEI, it was noticed that the prescribed returns were neither submitted by the CPPs nor called for by the CEI. However, the information collected in February 2008 by the CEI from CPPs at the instance of audit revealed that a captive generating plant generated 6.89 crore units (during 2005-06 : 3.66 crore units and 2006-07 : 3.23 crore units). The owner of the CPP consumed 66.21 lakh units of the electricity for captive use. The percentage of consumption ranged between nine and 10 *per cent* against the prescribed limit of 51 *per cent*. The CPP was therefore, not eligible for exemption of ED on captive consumption. **Thus, in the absence of the return having all the requisite information, the CEI could not determine the percentage of electricity consumed. This resulted in incorrect availment of exemption of ED of Rs. 25.29 lakh by the CPP.**

The Government to whom the case was reported in March 2008, intimated in April 2008 that CPP violated the terms and conditions of the notification of September 2005 and has not deposited the ED on the power consumed being less than 51 *per cent* of the aggregate electricity generated by the plant for his own use.

The Government may therefore consider prescribing an additional column in the prescribed return for electricity generated by the CPP and ensuring submission of return for realisation of duty.

6.2.9 Shortfall in electrical inspections and levy of fees

The Indian Electricity Rules, 1956, provide that before granting permission to a person for commencing/recommencing supply or making addition/alteration, the supplier shall ensure that all the pre requisite conditions relating thereto have been complied with. The supply shall not commence by the supplier of energy unless approved by the CEI in writing. The rules further provide that any person, who commits a breach thereof, shall be punishable for every such breach with a fine of Rs. 300.

Under the Indian Electricity Rules, all electricity installations shall be periodically inspected and tested at intervals not exceeding five years as directed by the State Government, on payment of fees in advance, at the rates prescribed by the Government from time to time. Further, the State Government directed (April 1988) the Board to get all the installations before their energisation and the replaced transformers, inspected from the CEI for regular energy supply and general safety precautions to safeguard human as well as animal life. **However, the Government did not prescribe any periodical return from the CEI showing the list of inspections due, conducted and shortfall if any with reasons for the same to ensure compliance with the prescribed provisions of the rules.**

6.2.9.1 Scrutiny of the periodical inspection registers maintained by the CEI and information collected from the Management Information Reports of the Board for the years 2004-05 to 2006-07 revealed huge shortfall in the number

of statutory inspections during 2004-05 to 2006-07 as mentioned below:

| Description of installations Periodicity | 2004-05 | | 2005-06 | | 2006-07 | | Total shortfall in inspections | Inspection fee recoverable (In crore of rupees) |
|---|--------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------------|--|
| | (Figure in lakh) | | | | | | | |
| | Total due for inspection | Inspected Shortfall | Total due for inspection | Inspected Shortfall | Total due for inspection | Inspected Shortfall | | |
| Low voltage 5 years | <u>8.81</u> 1.76 | <u>nil</u> 1.76 | <u>9.13</u> 1.83 | <u>nil</u> 1.83 | <u>9.31</u> 1.86 | <u>nil</u> 1.86 | 5.45 | 1.09 |
| Medium voltage 3 years | <u>6.37</u> 2.12 | <u>0.33</u> 1.80 | <u>6.52</u> 2.17 | <u>0.61</u> 1.56 | <u>6.52</u> 2.17 | <u>0.54</u> 1.63 | 4.99 | 0.48 |
| High and extra high voltage 1 year | <u>0.04</u> 0.04 | <u>0.03</u> 0.02 | <u>0.04</u> 0.04 | <u>0.03</u> 0.01 | <u>0.05</u> 0.05 | <u>0.03</u> 0.02 | 0.05 | 0.15 |
| Transformers of PSEB | <u>2.03</u> 2.03 | <u>nil</u> 2.03 | <u>2.17</u> 2.17 | <u>nil</u> 2.17 | <u>2.29</u> 2.29 | <u>nil</u> 2.30 | 6.50 | 6.49 |
| Total | | | | | | | 16.99 | 8.21 |

The shortfall in the prescribed number of inspections of electrical installations shows that general safety precautionary measures to protect human, animal lives and property were ignored by the CEI. Failure to carry out the inspections resulted in non-realisation of inspection fees of Rs. 8.21 crore calculated at the rates fixed by the Government.

After the case was pointed out, the CEI intimated in February 2008 that due to shortage of staff, services were not rendered and no fee was charged. The reply is not tenable as it is the responsibility of the department to carry out inspections as laid down in the Act. This should also be seen in the context of safety of the users and the management of risks associated with leaving the commencement of supply of energy uninspected.

6.2.9.2 Cross checking of the information available in the Management Information Reports of the Board and the records of inspections carried out by the CEI revealed that the Board had installed and energised 47,040 new transformers during 2004-05 to 2006-07. However, no request for approval of 16,898 installations was made by the Board before energising. Thus approval of the CEI was not obtained in 16,898 cases before energising new transformers.

Energisation of electrical installations without prior approval of the CEI as envisaged in the rules may lead to increase in the possibilities of occurrence of electrical accidents endangering the human, animal lives and property besides loss of revenue of Rs. 67.59 lakh (calculated at the minimum rate of Rs. 100 per transformer and penalty).

After the case was pointed out, the CEI stated in February 2008 that the installations could not be inspected for want of requests from the Board. The reply of the CEI is not tenable as the CEI had not devised any mechanism to ascertain the actual number of installation to be energised by the Board and it is the responsibility of the department to carry out inspections as laid down in the Act. This should also be seen in the context of safety of the users and the management of risks associated with leaving the commencement of supply of energy uninspected.

The Government to whom the case was reported in March 2008, intimated in April 2008 that the Board has been directed to deposit the due inspection fee and penalty.

The Government may therefore consider prescribing a periodical return from the CEI showing the list of inspections due, conducted and shortfall, if any, alongwith the reasons for such shortfall to ensure compliance with the provisions of the rules and safeguard human as well as animal life.

6.2.10 Arrears pending collection

Under the PED Act, and the rules made thereunder, ED leviable on 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 should provide suitable columns in its account books to show the amount of duty assessed, realised and carried forward. The account books shall be open for checking by the CEI. The CEI shall be responsible to ensure that the various returns prescribed under these rules are submitted punctually to him. The Board shall submit to the CEI by 20th of every month a statement in the prescribed form (Annexure I-Part A¹ and B²) showing the duty assessed, realised, deposited and the balance ED. When any sum of ED or penalty has fallen due but has not been paid, the CEI may make an application to the Collector to recover the sum due as if it were an arrears of land revenue. On receipt of the application, the Collector shall proceed to recover the amount as arrears of land revenue under the Punjab Land Revenue Act, 1887.

Scrutiny of the records revealed that the Board had regularly submitted the prescribed returns as per Annexure-I (Part A) but did not furnish part B containing the details of defaulters. The CEI has also failed to effectively scrutinise the receipt of the prescribed returns. Therefore, the department was not aware about the defaulters at any point of time and the dues could not be processed for recovery as arrears of land revenue. This indicated failure of the monitoring mechanism instituted by the department. As a result arrears of ED of Rs. 29.75 crore as on 1 April 2004 increased to Rs. 82.28 crore as at 31 March 2007 as mentioned below:

(In crore of rupees)

| Year | Arrears of ED due from consumers at the start of year | Arrears of ED due at the end of year | Increase during the year | Arrears more than three years old |
|---------|---|--------------------------------------|--------------------------|-----------------------------------|
| 2004-05 | 29.75 | 36.51 | 6.76 | 11.98 |
| 2005-06 | 36.51 | 63.98 | 27.47 | 20.48 |
| 2006-07 | 63.98 | 82.28 | 18.30 | 26.06 |

The Government to whom the case was reported in March 2008, intimated in April 2008 that the Board was directed to furnish the list of the defaulters so that appropriate action to recover the amount could be initiated.

¹ Containing information on class of consumer, duty assessed, previous balance, duty realised and balance etc.

² Containing information on account no., name of the defaulter and amount etc.

The Government may therefore consider issuing instructions to the CEI making it mandatory to review the returns furnished by the Board and verify these with the books of accounts as provided in the PED Act and rules made thereunder and initiate prompt action for recovery of outstanding dues as arrears of land revenue from the defaulters.

6.2.11 Internal audit

Internal Audit Organisation (IAO) is a vital component of the internal control mechanism and is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well. IAO was set up in October 1981 as an independent organisation under the State Finance Department and was entrusted *inter alia*, with the internal audit of receipts to safeguard against any loss or leakage of revenue arising under the various revenue heads including ED. By a notification of November 1991, the focus of audit was shifted from revenue to expenditure audit. However, the Government in June 2004 again introduced internal audit of ED from the year 2004-05.

Scrutiny of the records of IAO disclosed that audit of the divisions of the Board was conducted during 2004-05 to 2006-07. The inspection reports were issued to the concerned divisions of the Board and a copy to the CEI for watching the compliance. 175 paragraphs involving Rs. 4.03 crore pertaining to the period from December 2004 to March 2007 and 3,593 paragraphs prior to December 2004 involving Rs. 8.37 crore were pending as on 31 March 2007 due to non-submission of replies by the concerned divisions of the Board/CEI.

After the case was pointed out in December 2007, the IAO intimated in May 2008 that audit of the office of the CEI was not conducted, however, audit of collection of ED by the divisions of the Board was being conducted by the IAO.

The Government may consider strengthening the IAO and ensuring time bound action by the CEI on the observations raised by the IAO so as to safeguard the interest of revenue and avoid recurrence of mistakes pointed out.

Compliance deficiencies

6.2.12 Loss of revenue due to irregular availment of exemption

Under the provision of PED Act there shall be levied and paid to the state Government on the electricity supplied by the Board to a consumer, ED at the rates specified by the Government from time to time. Further, under the notification of March 2005, the Government enhanced ED on the electricity supplied by the Board from five *per cent* to 10 *per cent ad valorem* to all the consumers, except the consumers, to whom the electricity is supplied for agricultural purposes. Further, the Board shall also pay ED on the electricity supplied for its own consumption. The Act does not provide any kind of exemption on peak load charges (being part of energy charges), minimum monthly charges, maintenance charges, unauthorised load charges, etc. The

Government, however, did not prescribe any return at the apex level to ensure correctness of levy of ED.

Cross verification of the records of levy and collection of ED maintained by the CEI with the records³ of the Board revealed that energy charges amounting to Rs. 17,558.78 crore were collected from the consumers by the Board for the years 2004-05 to 2006-07. ED of Rs. 1,520.73 crore was leviable on the energy charges as per the rate prescribed by the Government against which an amount of Rs. 1,380.17 crore was deposited in the treasury by the Board. Further scrutiny of records of division/sub division of the Board at Mohali and Patiala disclosed that the Board did not levy ED on the consumption of electricity on certain items⁴ treating these items as exempted. The CEI also failed to detect short remittance of duty on these accounts. This resulted in non-demand/recovery of differential duty of Rs. 140.56 crore worked out at the rate of five *per cent ad valorem* upto February 2005 and thereafter at the rate of 10 *per cent ad valorem* on energy charges.

In the Audit Review Committee meeting, the representative of the Board stated that ED was not leviable on minimum supply of power charges⁵. The reply is not tenable as no such notification allowing the exemption was issued by the Government.

6.2.13 Irregular refund of electricity duty

Under notifications of April 2004 and May 2006, the State Government granted exemption from payment of ED to a new unit set up by a company for a period of five years from the date of commercial production subject to fulfillment of the conditions specified in the notification.

Scrutiny of the eligibility certificate issued the Industries Department in January 2006 revealed that the certificate was issued to the expanded unit instead of to a new unit set up by the company. As the unit was an expanded unit, no refund of ED on consumption of electricity by the unit was admissible. Thus due to incorrect grant of eligibility certificate by the Industries Department, refund of ED of Rs. 18.48 lakh to the expanded unit allowed by the CEI in August 2006 was in violation of the terms and conditions of the notifications of April 2004 and May 2006.

After the case was pointed out in October 2007, the CEI intimated in February 2008 that the matter has now been taken up with the Industries Department/concerned unit and outcome would be intimated.

6.2.14 Conclusion

The Act provides for filing of returns by the licensees which are an important internal control measure to monitor the payment of ED and its correctness. The department had failed to effectively scrutinise the receipt of the prescribed returns and the correctness of ED payable as per the returns, which led to

³ Annual Account Statements.

⁴ Board's own offices, peak load exemption charges and minimum monthly charges.

⁵ Such as service charges, meter rent, minimum charges, late payment charges, peak load exemption charges, monthly maintenance charges, unauthorised load surcharge etc.

leakage of revenue. There was no mechanism for proper monitoring of arrears of revenue and collection thereof. The internal control mechanism of the department was weak, which is a management tool for plugging leakages of revenue and non-maintenance of the records.

6.2.15 Summary of recommendations

The Government may consider:

- prescribing an additional column in the prescribed return for electricity generated by the CPP and ensuring submission of return for realisation of duty;
 - prescribing a periodical return from the CEI showing the list of inspections due, conducted and shortfall if any alongwith reasons for such shortfalls to ensure compliance of provisions of the rules and safeguard human as well as animal life;
 - issuing instructions to the CEI making it mandatory to review the returns furnished by the Board and verify these with the books of accounts as provided in the PED Act and rules made thereunder and initiate prompt action for recovery of outstanding dues as arrears of land revenue from the defaulters; and
 - strengthening the IAO and ensuring time bound action by the CEI on the observations raised by the IAO so as to safeguard the interest of revenue and avoid recurrence of mistakes pointed out.
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B: Land Revenue

6.3 Loss of revenue due to non-eviction of unauthorised occupants

The State Government laid down (November 1990 and April 1997) the policy for disposal of rural/urban evacuee land at the rate of Rs. 7,000 per acre for persons of general category and Rs. 6,000 per acre for members of the scheduled castes and backward classes. The unauthorised occupants shall apply to the concerned tehsildar within a period of three months for the transfer of Government land as per the terms and conditions of the policy. Further 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. 500 per acre per harvest respectively.

During test check of the records of two⁶ district revenue officers (DRO), it was noticed in December 2007 that 24,402 acres of Government land encroached between 2004-05 to 2006-07 was being used for agricultural purposes. The encroachers were neither evicted nor did they apply for regularisation/transfer. The minimum rent of Rs. 4.49 crore⁷ for unauthorised occupation of Government agricultural land ranging between 11,589 and 12,813 acres for the period from 2004-05 to 2006-07 was recoverable from the unauthorised occupants for which no demands were raised.

The matter was reported to the department and the Government in February 2008; their replies have not been received (August 2008).

6.4 Non-deduction of collection charges

The Punjab Land Revenue Act, 1887 and the rules made thereunder provide that collection charges at the rate of two *per cent* upto 29 August 1999 and five *per cent* thereafter are required to be deducted by the Collector from the amount collected on behalf of the local bodies, corporations, banks etc. as arrears of land revenue.

During test check of the records of four DRO's⁸, it was noticed between November 2007 and February 2008 that an amount of Rs. 68.53 crore was recovered on behalf of the local bodies, banks, khadi boards and corporations etc. during the period from July 2004 to October 2007, but collection charges amounting to Rs. 3.43 crore were not deducted from the amount recovered.

After the cases were pointed out between November 2007 and February 2008, the DRO Bathinda stated in November 2007 that the charges were not deducted as the rates of deduction were still under consideration of the Finance Department. The DRO Mohali stated in February 2008 that recovery would be made. The reply of DRO Bathinda is not tenable as the rates of

⁶ Ferozepur and Kapurthala.

⁷ 18,841 acres rural land at the rate of Rs. 500 per acre for three years and 5,561 acres urban land at the rate of Rs. 1,000 per acre for three years.

⁸ Bathinda, Ferozepur, Kapurthala and Mohali.

collection charges are provided in the Act which were revised by the Government in August 1999.

The matter was reported to the department and the Government in February 2008; their replies have not been received (August 2008).

6.5 Short recovery of chowkidara tax

Under the Punjab Chowkidara Rules, 1876, amended from time to time, the remuneration payable to the village chowkidar (watchman) was enhanced from Rs. 300 to Rs. 400 and to Rs. 600 per month from 1 April 1997 and 1 January 2004 respectively. The remuneration so paid to the chowkidars is collected through the village headman, as chowkidara tax from the villagers.

During test check of the records of two tehsildars (Patiala and Nakodar), it was noticed between November 2006 and October 2007 that remuneration to chowkidars was paid at the enhanced rates for the period from November 2003 to April 2007. However, neither were the demands prepared/got approved at higher rates, nor was recovery of chowkidara tax effected at the enhanced rates. This resulted in short recovery of chowkidara tax of Rs. 29.92 lakh.

After the cases were pointed out between November 2006 and October 2007, Tehsildar Nakodar intimated in November 2007 that the demands for recovery would be raised and sent to Deputy Commissioner for approval. Tehsildar Patiala stated in November 2007 that the demands for recovery would be raised.

The matter was reported to the department and the Government between August 2007 and February 2008; their replies have not been received (August 2008).

C: Entertainment Tax/Duty

6.6 Short collection of entertainment tax

Under the Punjab Entertainment Tax (Cinematograph Shows) Act, 1954 as amended in 1994, entertainment tax on the gross collection capacity per show in a cinema house at the prescribed rates of admission fixed by the district magistrate is required to be paid to the State Government.

During test check of the records of the Assistant Excise and Taxation Commissioner (AETC) Ropar in June 2006, it was noticed that the entertainment tax payable by six cinema houses for the year 2005-06 was not correctly worked out as per the rates of admission to the cinema houses fixed by the district magistrate. This resulted in short realisation of entertainment tax of Rs.18.66 lakh.

The matter was reported to the department and the Government in September 2007; their replies have not been received (August 2008).

6.7 Non-realisation of entertainment duty from cable operators

The Punjab Entertainment Duty Act, 1955 provides that entertainment duty of Rs. 15,000 per annum is payable with effect from 1 April 1999 by the proprietors providing entertainment with the aid of an antenna or cable

television. The proprietors of cable television operators (CTVOs) are required to get themselves registered with the Department of Posts under the Cable Television Networks (Regulation) Act, 1995.

During test check of the records of two AETCs (Fatehgarh Sahib and Ropar), it was noticed between June 2006 and May 2007 that no records were maintained by the AETCs to ascertain the number of CTVOs operating under their jurisdiction. Information collected by audit from the Department of Posts revealed that 28 CTVOs were registered with the department for running cable television network during the years 2005-06 and 2006-07. Cross verification of this information with the available records of AETCs disclosed that 28 CTVOs had neither paid the entertainment duty nor was it demanded by the department. This resulted in non-levy and non-realisation of entertainment duty of Rs. 4.20 lakh.

After the cases were pointed out between June 2006 and May 2007, AETC Fatehgarh Sahib stated in May 2007 that recovery would be made. A report on recovery and reply in the case of AETC Ropar has not been received (August 2008).

The matter was reported to the department and the Government in September 2007; their replies have not been received (August 2008).