

Chapter VI: Other Tax Receipts

6.1 Results of audit

Test check of the records of land revenue, electricity duty and entertainment tax/duty during the year 2008-09, revealed short/non-recovery etc. of dues amounting to Rs. 47.62 crore in 103 cases, which broadly fall under the following categories:

(In crore of rupees)			
Sr. no.	Category	Number of cases	Amount
A: Land revenue			
1.	Internal control in the land revenue department for recovery of arrears of land revenue (A review)	1	1.04
2.	Non/short recovery of <i>chowkidara</i> ¹ tax	19	1.50
3.	Non-recovery of departmental charges	26	1.14
4.	Management of <i>Nazool</i> ² and other Government land	12	1.66
5.	Other irregularities	24	1.95
Total		82	7.29
B: Electricity duty			
1.	Loss of revenue due to short fall in periodical inspections	2	10.26
2.	Loss of revenue due to non-realisation of inspection fee on pumping sets.	1	0.41
3.	Short levy of Electricity duty	1	25.46
Total		4	36.13
C: Entertainment tax			
1.	Non-recovery of entertainment tax/duty from cinema houses/video parlours	12	3.98
2.	Non-recovery of entertainment duty from cable operators	5	0.22
Total		17	4.20
Grand total		103	47.62

During the year 2008-09, the concerned departments accepted audit observations to the tune of Rs. 55.55 lakh in five cases.

A review of ‘**Internal control in the land revenue department for recovery of arrears of land revenue**’ involving Rs.1.04 crore and few other illustrative audit observations involving Rs. 27.29 crore are mentioned in the succeeding paragraphs.

¹ Remuneration paid to the village watchman.

² The land situated beyond two miles of the municipal limits, which has escheated to the State Government and has not already been appropriated by the State Government for any purpose.

A: Land Revenue

6.2 Review of “Internal control in the Land Revenue Department for recovery of dues treated as arrears of land revenue”

Highlights

No effective control mechanism was in place for monitoring and reconciliation of the revenue recovery certificates sent to other districts/States.

(Paragraph 6.2.7)

Internal control mechanism prescribed for recovery and reporting was deficient leading to huge variations between the number and amount of revenue recovery certificates sent by the collectors and accounted by the Tehsildars.

(Paragraph 6.2.8)

Absence of internal control for periodical review of recovery of dues, coupled with inaction resulted in poor recovery, which ranged between 1.61 and 5.45 *per cent* during the review period. 82.61 to 92.15 *per cent* cases were pending for recovery with the department.

(Paragraph 6.2.9)

Non-compliance of the provisions relating to service/collection charges resulted in non-realisation of Rs. 82.10 lakh revenue to the State Government besides departure from prescribed instructions.

(Paragraph 6.2.11)

Non-compliance of provisions of the Punjab Land Revenue Act, 1887 regarding the writ of demand resulted in delay from seven to 36 months for initiating the recovery process.

(Paragraph 6.2.14)

6.2.1 Introduction

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. It also helps in the creation of reliable financial and management information system for prompt and efficient service and for adequate safeguards against recovery of dues.

The modes of recovery of arrears of the Government departments/undertakings, corporations, banks etc. are laid down in the relevant Acts of the concerned departments/organisations. However, if recovery cannot be effected and the dues become irrecoverable under the provisions of the relevant Acts, the officers responsible for administering the Acts are required to send requisitions in the prescribed form, furnishing full details of the defaulter and the recovery to be effected as arrears of land revenue to the District Collector (Collector), who after approving the demand forwards to the tehsildar/naib tehsildar under whose jurisdiction the property of the defaulter is situated. Arrears of land revenue is the first charge upon the rents, profits and produce of land. Under the provisions of Punjab Land Revenue Act, 1887 (PLR Act), any sums recoverable as arrears of land revenue under the various fiscal Acts can be recovered by effecting service of writ of demand, arrest and

detention of the defaulter, sale of movable property and crops, attachment of the estate or holding and by proceeding against other immovable property of the defaulter.

According to the provisions of Revenue Recovery Act, 1890 (RR Act), when an arrear of land revenue or a sum, recoverable as arrears of land revenue, is payable to a Collector by a defaulter having property in a district other than that in which the arrear accrued or the sum is payable, the Collector may send the revenue recovery certificate (RRC) in the prescribed form to the Collector of the district where property of the defaulter is situated, to recover the amount as if it were an arrear of land revenue which had accrued in his own district.

A review of the adequacy and effectiveness of internal control in the land revenue department for recovery of dues treated as arrears of land revenue revealed a number of system deficiencies which are discussed in the succeeding paragraphs.

6.2.2 Organisational set up

The overall superintendence and control of the Land Revenue Department vests with the Financial Commissioner (Revenue). For the purpose of recovery of dues treated as arrears of land revenue, the State has been divided into four Commissionerates (Faridkot, Ferozepur, Jalandhar and Patiala), each under the charge of a Commissioner and 20 districts, each under the charge of a Collector. The Collector exercises the control through Assistant Collectors (tehsildars and naib tehsildars) and other staff in the district.

6.2.3 Scope and methodology of audit

Mention was made in paragraph 6.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 (Revenue Receipts) Government of Punjab, highlighting the shortcomings during the years from 1994-95 to 1998-99 regarding 'Internal control in land revenue department for recovery of dues treated as arrears of land revenue'. With a view to ascertain the action taken by the department to rectify the defects and irregularities already pointed out, effectiveness and adequacy of the internal control mechanism in the recovery of dues treated as arrears of land revenue, a test check in 29 tehsils³ out of 77 tehsils covering the period 2003-04 to 2007-08 was conducted between October 2008 and March 2009.

6.2.4 Audit objectives

The review was conducted with a view to assess:

- effectiveness of the internal control system to collect the dues treated as arrears of land revenue and
- compliance of the prescribed rules and procedure related to recovery of the dues treated as arrears of land revenue.

³ Gurdaspur (five), Ludhiana (seven), Patiala (five), Ropar (six) and Sangrur (six).

6.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation of the Land Revenue Department and the Collectors for providing information and records for audit. The draft review was forwarded to the department and the Government in April 2009. No entry and exit conference could be held as the department did not give any response to the request of Audit for holding the conference.

6.2.6 Trend of recovery

The year wise consolidated position of number of RRCs received, disposed and outstanding and the amount involved at the end of each year was not available at the Government level. However, on the basis of information collected from test checked districts, the position is mentioned below:

(In crore of rupees)

Year	Opening balance	Addition	Total	Returned without recovery	Recovered	Balance
2003-04	5.09	69.20	74.29	8.36	0.99	64.94
2004-05	64.94	60.37	125.31	20.71	0.79	103.81
2005-06	103.81	42.49	146.30	23.18	0.89	122.23
2006-07	122.23	33.12	155.35	36.15	0.98	118.22
2007-08	118.22	80.87	199.09	21.95	0.66	176.48

It could be noticed from the above that while the total amount to be recovered was on the rise from Rs. 74.29 crore in 2003-04 to Rs. 199.09 crore in 2007-08, the amount recovered was paltry and the performance was worst in 2007-08. This indicates ineffectiveness of implementation of the RR Act.

Audit findings

System deficiencies

6.2.7 Lack of control in respect of RRCs sent to other collectors

Under the provisions of the RR Act, when an arrear of land revenue is payable by a defaulter having property in a district other than that in which the arrear accrued or the sum is payable, the collector may send to the collector of the other district a RRC stating the name of the defaulter and such other particulars as may be necessary for identification of the defaulter, the amount payable by him and the ground on which it is due. The Collector of the other district shall, on receiving the certificate, proceed to recover the amount stated therein as if it were an arrear of land revenue which had accrued in his own district.

During test check of the records of Collector, Patiala, it was noticed that 13 RRCs involving Rs. 82.99 lakh were sent to other districts/states between September 2003 and August 2008 for recovery of the arrears of land revenue from the defaulters having properties in those districts/States. Further scrutiny of the RRCs sent to the other collectors disclosed the following:

- The Collector, Patiala sent two RRCs each to the Collectors of Ludhiana, Ropar and Sangrur for recovery between September 2003 and August

2008. It was observed by audit that the Collectors of Ludhiana and Ropar had not entered the RRCs in the Running Register II (RR-II) while the Collector Sangrur had not maintained the RR-II. Thus, due to non-recording of the transactions in the RR-II and non-maintenance of the register, progress made in recovery of the dues and pendency thereof could not be verified.

- The progress of recovery of seven RRCs (Rs. 72.75 lakh) sent to the Collectors of other States could not be verified in audit as no records were available with the originating offices. Thus, due to non-maintenance of records of RRCs sent to other States, the department was not in a position to initiate the follow up actions; as a result of which the recovery against these RRCs became doubtful.

After the cases were pointed out in November 2008, the Collector, Patiala stated that the point was noted for future compliance.

6.2.8 Non/improper maintenance of initial records

As per instructions contained in the Standing Order No. 31 about the procedure to be followed for maintenance of registers/records in the office of the Collectors/tehsildars on receipt of requisition from the requisitioning authorities, the concerned Collector shall first get it entered in RR-II before transmitting it to the concerned tehsildars. The tehsildar in turn, is required to enter the RRCs immediately in their RR-II. Further, a writ of demand is to be issued by the Revenue Officer on or after the day following that on which the arrear of land revenue accrues.

Test check of the records revealed the following:

- The RR-II was not at all maintained in Sangrur collectorate and in other offices, it was not maintained in prescribed format. Due to non/improper maintenance of the registers/records, the progress made in recovery of dues and pendency thereof could not be verified by the recovery officers.
- The comparison of RR-II maintained by the collectorates with the RR-II maintained by the tehsils, revealed that there were variations between the RRCs sent by the Collectors and RRCs accounted for by the tehsildars as detailed below:

(In crore of rupees)

Year	Demand approved by Collectors		Demand accounted for by tehsildars		Variation	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2003-04	296	11.48	321	8.28	(+)25	(-) 3.20
2004-05	237	25.96	181	18.05	(-)56	(-) 7.91
2005-06	231	5.56	174	9.52	(-)57	(+) 3.96
2006-07	159	1.94	202	7.70	(+)43	(+) 5.76
2007-08	240	19.58	175	8.50	(-)65	(-)11.08
Total	1,163	64.52	1,053	52.05	(-)110	(-)12.47

- Against the RRCs of Rs. 57.02 crore sent by the Collectors, only RRCs of Rs. 34.83 crore were accounted for by the tehsildars during 2003-04, 2004-05 and 2007-08. As a result, demands of Rs. 22.19 crore were not accounted for by the tehsildars.
- During the year 2003-04, the number of cases accounted by the tehsildars was higher (321) than the cases (296) forwarded by the various Collectors whereas the amount (Rs. 8.28 crore) registered by the tehsildars for recovery was lower than the amount of RRCs sent by the Collectors (Rs. 11.48 crore).
- The RRCs for Rs. 7.50 crore were sent by the Collectors during the year 2005-06 and 2006-07 against which RRCs of Rs. 17.22 crore were erroneously accounted for by the tehsildars. Thus, there was excess account of demands involving Rs. 9.72 crore in eight tehsils⁴.
- 17 RRCs involving Rs. 108.69 crore issued by three Collectors⁵ between August 1999 and November 2007 for recovery were not found registered in the RR-II in the offices of the concerned tehsildars. Of these, four RRCs of Rs. 98.38 crore sent between August 1999 and October 2001 were not found registered in the records of tehsil. As a result of this, the action for recovery against the RRCs could not be initiated despite the express provisions contained in the PLR Act which *inter alia* provided that the action for recovery was to be initiated by the tehsildar on or after the day (August 1999 to October 2001) following that on which the arrear of land revenue accrued.

Audit observed that as reconciliation was not carried out, the differences between the cases referred by the Collectors to tehsils did not come to the notice of the authorities. Thus, failure to reconcile the demands resulted in variations and non-recovery of arrears to be recovered as arrears of land revenue.

6.2.9 Ineffective rate of recovery

Under the provisions of PLR Act, any sums recoverable as arrears of land revenue under various fiscal Acts can be recovered by effecting service of writ of demand, arrest and detention of defaulter, distress and sale of movable property and crops, attachment of the estate or holding, annulment of the assessment of the estate or holding, sale of the estate or holding and by proceeding against other immovable property of the defaulter. However, no system of periodical review of the pending cases has been prescribed.

Year wise position of the RRCs, RRCs returned without recovery, number of RRCs where recovery made and the balance cases during the five years from 2003-04 to 2007-08 in respect of five districts⁶ test checked, is tabulated below:

⁴ Anandpur Sahib, Jagraon, Khanna, Morinda, Rajpura, Ropar, Samana and Samrala.

⁵ Gurdaspur, Patiala and Ropar.

⁶ Gurdaspur, Ludhiana, Patiala, Ropar and Sangrur.

Year	Opening balance	Fresh demand	Total demand	RRCs returned	RRCs where recovery made	Closing balance (per centage of pendency)	Percentage of	
							Cases where recovery made (6 to 4)	Cases returned (5 to 4)
1	2	3	4	5	6	7	8	9
2003-04	56	1,515	1,571	162	56	1,353 (86.12)	3.56	10.31
2004-05	1,353	829	2,182	245	102	1,835 (84.09)	4.67	11.23
2005-06	1,835	898	2,733	326	149	2,258 (82.61)	5.45	11.93
2006-07	2,258	523	2,781	151	80	2,550 (91.69)	2.88	5.43
2007-08	2,550	750	3,300	206	53	3,041 (92.15)	1.61	6.24
Total		4,515		1,090	440			

The above table shows that during 2003-08 recovery was effected in just 1.61 to 5.45 *per cent* of the cases. The cases returned without recovery ranged from 5.43 to 11.93 *per cent*. The reasons for high rate of return of cases without recovery could not be ascertained in audit as in majority of the cases, no specific reasons were found recorded either in the tehsils or in the collectorates. The poor rate of recovery of the dues resulted in large scale pendency of cases from 56 in 2003-04 to 3,041 in 2007-08.

After the cases were pointed out, the Collectors/tehsildars stated that accumulation of arrears was due to non-furnishing of correct/complete address and details of property of defaulters by the requesting authority. The reply is not acceptable as the recovery certificates for recovery of the dues as arrears of land revenue are required to be supported by complete and relevant documents/particulars of the defaulter. Further, if the details were incomplete, such cases should have been returned promptly to the requisitioning authorities and not kept pending without any action.

6.2.10 Internal audit

Internal Audit Organisation (IAO) is a vital component of the internal control mechanism and enables 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 *interalia*, with the internal audit of receipts to safeguard against any loss or leakage of revenue arising under the various revenue heads. By a notification of November 1991, the focus of audit was shifted from revenue to expenditure audit. In June 2004, Government again introduced internal audit of receipts from the year 2004-05. However, IAO intimated in May 2009 that internal audit of recoveries of dues treated as arrears of land revenue was not being conducted by the IAO. As such audit is unable to comment on the adequacy and efficacy of internal audit as far as recovery of dues is concerned.

Compliance deficiencies

6.2.11 Non-recovery of service fee/charges

6.2.11.1 The PLR Act provides that the cost of any process linked with the collection of land revenue shall be recoverable as part of the arrears of land revenue. The Punjab Land Revenue Rules provide that two *per cent* of collection shall be deducted as service charges by the collector. Further, the instructions issued by the Government in July 2007 provide for charging of

service charges at the rate of five *per cent* in cases of recoveries relating to corporations, boards and banks.

During the test check of records of eight Collectors⁷, it was noticed between November 2007 and March 2009 that an amount of Rs. 4.30 crore as arrears of land revenue was recovered between April 2003 and March 2008. But collection of service charges of Rs. 21.48 lakh at the rate of two/five *per cent* of the arrears recovered was neither deducted nor demanded from the corporations, boards and banks.

6.2.11.2 Further, as per the instructions issued by Government in July 2007, the requisitioning authority will deposit with the recovery officer in advance the non-refundable service charges at the rate of two *per cent* of the total amount of recovery mentioned in the RRCs.

Test check of the records of four Collectors⁸ revealed that 111 RRCs involving recovery of Rs. 41.05 crore were accepted without receipt of non-refundable advance payment of service charges of Rs. 82.10 lakh between July 2007 and March 2008 in contravention of the Government instructions. This resulted in non-realisation of revenue of Rs. 82.10 lakh.

After the cases were pointed out, all the tehsildars stated that recovery of service fee/charges would be made as per directions of the Government. The reply is contrary to the rules as the Collectors were to accept the RRCs from the requisitioning authorities alongwith two *per cent* non-refundable advance payment towards the service charges. Failure to do so resulted in non-realisation of Rs. 82.10 lakh.

6.2.12 Non-observance of standing instructions

In terms of instructions contained in the Standing Order No. 31, the tehsildars are required to send the monthly return to the collector indicating the RR-II serial number of RRC in the collector office, serial number of RR-II at his office, amount paid and date of payment. The details of payments so received at the collector's offices are to be incorporated in the RR-II at the collector office to be inspected by the deputy collector or by an officer authorised by the collector.

At the end of the year, a statement should be made out for each section of the RR-II showing all balances outstanding, both at the collector and tehsil level. The collector's RR-II should be checked by the Revenue Assistant and the RR-II at the tehsil by the tehsildar and the balances should thereafter be transferred to the RR-II for the ensuing year. A certificate recorded by these officers both in the old RR-II and in the new RR-II to the effect that the balances outstanding for the year which has expired have been checked and transferred to the register for the ensuing year.

6.2.12.1 Test check of records at the tehsils revealed that the monthly return on recovery was not submitted to the collector by six offices⁹ regularly. No action was taken by the collector's office in these cases.

⁷ Bathinda, Gurdaspur, Kapurthala, Ludhiana, Muktsar, Patiala, Ropar and Sangrur.

⁸ Gurdaspur, Ludhiana, Patiala and Ropar.

⁹ Batala, Dhuri, Ludhiana (East), Ludhiana (West), Samrala and Sunam.

6.2.12.2 Test check of records at four Collectors¹⁰ offices revealed that though the return was submitted, the details of payments so received at the collector's offices which was to be incorporated in the RR-II were not incorporated.

6.2.12.3 A statement for each section of the RR-II showing all the balances outstanding both at collector and tehsil level required to be made at the end of each year was not made in 26 tehsils and four collector offices. Also the certificate required to be recorded was also not recorded in these offices.

6.2.13 Return of the recovery certificates after a long delay

Under the provisions of RR Act, the recovery certificates for recovery of dues as arrears of land revenue should be supported by complete and relevant documents/ particulars of the defaulters to enable the Collector to make speedy recoveries.

Test check of records of four Collectors¹⁰ for the years 2003-04 to 2007-08 revealed that 712 RRCs involving Rs. 70.13 crore were returned to the various issuing authorities after holding the RRCs for a period from six to nine months as detailed below:-

Sr. no.	Reasons for returning of the RRCs	No. of cases returned	Delay in months	Amount (Rs. in crore)
1	Incorrect/ incomplete address	182	09	8.51
2	No reasons recorded	357	06	37.45
3	Whereabout of the defaulters not known	94	07	12.98
4	No property in the name of defaulters, property already attached/ mortgaged	79	08	11.19
Total		712		70.13

Such abnormal delays reflect the poor internal mechanism to watch progress of recovery of the dues.

After the cases were pointed out, the Collector, Patiala stated that directions had been issued to the tehsildars for compliance. The other Collectors stated that the point had been noted for future compliance.

6.2.14 Abnormal delay in raising of demands

The PLR Act provides for recovery of arrears of land revenue by taking recourse to coercive processes namely by service of writ of demand, warrants of arrest and detention, sale of movable property and sale of holdings of the defaulters which are recorded and watched through RR-II.

Test check of the records revealed that 3,041 out of 4,515 RRCs received during the years 2003-04 to 2007-08, were pending for recovery as on 31 March 2008. Further scrutiny by Audit disclosed that action in most of the pending RRCs was not initiated by the recovery officers on or after the day following that on which the arrear of land revenue accrues. There were large number of cases in which there was delay in issuing the notices, which ranged between seven to 36 months as given below:-

¹⁰ Gurdaspur, Ludhiana, Patiala and Ropar.

(In crore of rupees)

Name of district	No. of RRCs	Period of receipt of RRCs	Delay in months	Amount involved
Patiala	206	October 1999 to October 2007	36	1.14
Ropar	16	May 1998 to May 2003	10	0.07
Ludhiana	72	April 2003 to February 2008	07	2.09
Sangrur	38	November 2002 to February 2008	07	1.19
Total	332			4.49

A specific case of delay is illustrated below:-

Test check of the records of Collector Ludhiana revealed that an attachment order of property on account of non-payment of Rs. 35.85 lakh as arrears of land revenue was received from the Special Recovery Officer, Mumbai in May 2006 and the Collector forwarded the same to the Tehsildar, Ludhiana (East) in September 2006 for attachment of property of the defaulters situated under the jurisdiction of the Tehsildar. The Tehsildar did not initiate any action till date (March 2009), whereas the PLR Act provides to initiate the action on or after the day following that on which the arrears of land revenue accrue. The delay in large number of cases indicate the system failure in monitoring the cases.

After the cases were pointed out, the tehsildars stated that reply would be given after verification of records and points noted for future compliance.

6.2.15 Conclusion

It would thus be seen that due to non-existence of effective monitoring system, non-compliance of statutory provisions and lack of control over recovery of dues treated as arrears of land revenue, the amount of arrears accumulated from Rs. 5.09 crore to Rs. 176.48 crore during the period of review. It is necessary for the Government to have a detailed look at the system and create/fix appropriate responsibility centres to watch collection and procedure to ensure prompt recovery of dues treated as arrears of land revenue.

6.2.16 Recommendations

Government may consider:

- prescribing returns for monitoring the collection of demands against the RRCs sent to other districts/states,
- issuing instructions to the Collectors for periodical reconciliation and review of the pending cases with the tehsildars so that correctness of RRCs sent and accounted for by the tehsildars can be achieved,
- issuing instructions to the revenue department for strict compliance of provisions of the Act/Rules and departmental instructions and responsibilities fixed for failure at appropriate levels, and
- making the IAO operational to ensure timely detection and correction of errors in collection of the dues as arrears of land revenue.

6.3 Other audit observations

Scrutiny of records of land revenue, electricity duty and entertainment tax/duty revealed several cases of non-observance of provisions of Government policy/notification and other cases as mentioned in the succeeding paragraphs. These cases are illustrative and are based on a test check carried out in audit. There is need for the Government to improve the internal control mechanism so that such omissions can be avoided, detected and corrected.

6.4 Loss of revenue due to non-eviction of the unauthorised occupants

Non-compliance of State Government policy for disposal of rural/urban evacuee land framed in November 1990 and April 1997 resulted in loss of revenue of Rs. 1.62 crore due to non-eviction of the unauthorised occupants.

The State Government laid down (November 1990 and April 1997) the policy for disposal of rural/urban evacuee land. The unauthorised occupants of the Government land shall apply to the concerned tehsildar within a period of three months for the transfer of such land and it could be transferred 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. Further, in terms of the Government orders issued in November 1990, rent for unauthorised occupation and cultivation of rural and urban agricultural land is chargeable at the rate of Rs. 250 and Rs. 500 per acre, per harvest respectively.

During test check of the records in five District Revenue Officers¹¹ (DRO) and three tehsildars¹², it was noticed between December 2007 and January 2009 that 8,056 acres of Government land encroached between 2004-05 and 2008-09 were being used for agricultural purposes. The encroachers were neither evicted nor did they apply for regularisation/transfer of Government land as per the terms and conditions of the Government policy. The minimum rent of Rs. 1.62 crore¹³ for unauthorised occupation of 8,056 acres of Government agricultural land during 2004-05 to 2008-09 was recoverable from the unauthorised occupants for which no demands were raised. Failure to do so resulted in loss of Rs. 1.62 crore.

After the cases were pointed out between December 2007 and March 2008, the DRO Ropar intimated in December 2008 that recovery of Rs. 1.05 lakh had been made. The DRO, Mansa stated that the matter would be taken up with the higher authorities. The other DROs and tehsildars did not furnish the replies.

The matter was reported to the department and the Government between September 2008 and March 2009; their replies have not been received (September 2009).

¹¹ Batala, Ludhiana, Mansa, Ropar and Sangrur.

¹² Amloh, Balachaur and Sunam.

¹³ 6,841 acres of rural land at the rate of Rs. 500 for two/three years and 1,215 acres urban land at the rate of Rs. 1,000 per acre for three years.

B: Electricity Duty

6.5 Short levy of electricity duty

Non-compliance of Government notification of March 2005 regarding levy of electricity duty (ED) and incorrect exemption from levy of ED on certain items/establishment resulted in short levy of ED of Rs. 25.46 crore.

Under the provisions of Punjab Electricity Duty Act 2005 (PED Act), there shall be levied and paid to the state Government on the electricity supplied by the Punjab State Electricity Board (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 the 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.

Test check of records of the Chief Electrical Inspector (CEI) and cross verification of the records of levy and collection of ED maintained by the Board revealed that energy charges amounting to Rs. 4,525.29 crore (except the consumers, to whom the electricity was supplied for agricultural purposes) were collected from the consumers by the Board in the year 2007-08. ED of Rs. 452.53 crore was payable on the energy charges as per the rate prescribed by the Government against which an amount of only Rs. 427.07 crore was levied/deposited in the treasury by the Board. Further information collected from the CEI in June 2009 disclosed that the Board did not levy ED on the consumption of electricity on certain items¹⁴ treating these items as exempted. The CEI failed to detect the short levy of duty by the board. This resulted in non-demand/recovery of the differential duty of Rs. 25.46 crore.

After the case was pointed out in February 2009, the CEI stated that short payment of ED on the energy charges would be taken up with the Board.

The matter was reported to the department and the Government in March 2009; their replies have not been received (September 2009).

C: Entertainment Tax/Duty

6.6 Non-realisation of entertainment duty from cable operators

Non-registration of cable operators under the Punjab Entertainment Duty Act, 1955 resulted in non-realisation of entertainment duty of Rs. 20.55 lakh.

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 cable television operators (CTVOs) get themselves registered with the Department of Posts (DOP) under the Cable Television Networks (Regulation) Act, 1995.

¹⁴ Board's own offices, peak load exemption charges and minimum monthly charges.

During test check of the records of three AETCs¹⁵, it was noticed between June and July 2008 that no records were maintained by the AETCs to ascertain the number of CTVOs operating under their jurisdiction. Information collected by audit from the DOP revealed that in the area of the three AETCs 141 CTVOs were registered with the DOP for running cable television network during the year 2007-08. Cross verification of this information with the available records of the AETCs disclosed that 137 CTVOs had neither paid the entertainment duty nor it was demanded by the department. This resulted in non-realisation of entertainment duty of Rs. 20.55 lakh.

After the cases were pointed out, the AETC Jalandhar II stated that the actual number of CTVOs would be checked with reference to the records of post office as well as actual number of CTVOs in existence. The AETC Ludhiana-II stated that efforts would be made to recover the entertainment duty from the CTVOs. No reply was furnished by the AETC Ludhiana III. Further report on the action taken by the AETCs are still awaited.

The matter was reported to the department and the Government in February 2009; their replies have not been received (September 2009).

¹⁵ Jalandhar II, Ludhiana II and III.