

## CHAPTER - VII ENTERTAINMENT DUTY

### 7.1 Results of audit

Test check of the records of 36 units relating to entertainment duty revealed loss of revenue and other irregularities involving ₹ 2.03 crore in 3,979 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short deposit of entertainment duty by the proprietors of VCRs/Cable operators.	481	0.13
2.	Non realisation of entertainment duty.	1,453	0.49
3.	Incorrect exemption from payment of entertainment duty.	11	0.002
4.	Evasion of entertainment duty due to non-accountal of tickets.	89	0.30
5	Others.	1,945	1.11
<b>Total</b>		<b>3,979</b>	<b>2.03</b>

During the course of the year 2009-10, the department accepted underassessment and other deficiencies of ₹ 1.57 crore in 2,650 cases, which were pointed out in audit during the year 2009-10. An amount of ₹ 19 lakh was realised in 264 cases.

A few illustrative cases involving ₹ 81.45 lakh are mentioned in the following paragraphs.

## 7.2 Non-recovery of entertainment duty from cable operators

The Madhya Pradesh Entertainment Duty and Advertisement Tax (MPEDAT) Act, and Madhya Pradesh Cable Television network (Exhibition) Rules provide that every proprietor of cable television network and hotel or lodging houses providing entertainment through cable service shall pay entertainment duty (ED) at the prescribed rates.

We observed from the records of five Assistant Excise Commissioners<sup>1</sup> (AECs) and 14 District Excise Officers<sup>2</sup> (DEOs) between December 2008 and February 2010 that the entertainment duty of ₹ 32.77 lakh was not deposited by 781 cable operators and 23 proprietors of hotel or lodging houses providing entertainment through cable

service during April 2007 to January 2010. The department also did not take any action for recovery of the dues. This resulted in non-realisation of duty of ₹ 32.77 lakh.

After we pointed out the cases, the AEC Gwalior stated (January 2010) that ₹ 1.04 lakh had been recovered in 34 cases and action was in progress in the remaining cases. Other AECs and DEOs stated between December 2008 and February 2010 that action for recovery was being taken. We have not received any further report (December 2010).

We reported the matter to the Excise Commissioner (EC) and the Government (between February 2009 and March 2010); their replies have not been received (December 2010).

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<sup>1</sup> Bhopal, Gwalior, Indore, Jabalpur and Ujjain.

<sup>2</sup> Betul, Chhatarpur, Dhar, Dewas, Hoshangabad, Khargone, Panna, Rajgarh, Shahdol, Satna, Sheopur, Shivpuri, Sidhi and Shajapur.

### 7.3 Non-levy of entertainment duty on cinema houses

The MPEDAT Act provides that where cinematographic exhibitions are carried out in a cinema hall, no duty shall be levied on an amount not exceeding ₹ two per ticket charged on account of facilities provided to persons admitted in the cinema hall. The details of facilities provided and the amount spent thereon certified by a chartered accountant (CA) shall be presented by the proprietor of the cinema hall to the Collector of the district through the AEC/DEO latest by 30th June of the following financial year. If the Collector is not satisfied with the facilities provided, he may recover the duty in respect of the amount allowed for facilities from the proprietor of the cinema hall.

We observed from the records of five AECs<sup>3</sup> and six DEOs<sup>4</sup> between December 2008 and December 2009 that 70 proprietors of cinema houses collected ₹ 90.88 lakh between April 2007 and March 2009 from sale of tickets for providing facilities to spectators in the cinema houses. The details of facilities provided in cinema halls and accounts of expenditure thereof certified by the CA were not submitted by the proprietors to the Collectors within the prescribed period, yet no action was taken by the department for

levy of the ED on this amount. This resulted in non-realisation of the ED of ₹ 29.15 lakh.

After we pointed out the cases, all the AECs and DEOs stated between December 2008 and December 2009 that returns were being received from the proprietors of the cinema halls. The replies do not explain why action was not taken to recover the entertainment duty in case of non-receipt of duly audited details within the prescribed period i.e. 30 June of the following financial year.

We reported the matter to the EC and the Government (between February 2009 and March 2010); their replies have not been received (December 2010).

### 7.4 Non-levy of advertisement tax

The MPEDAT Act provides that every proprietor of an entertainment shall pay advertisement tax on every advertisement exhibited at a rate not exceeding ₹ 50 per month.

We observed from the records of AEC Bhopal and 15 DEOs<sup>5</sup> between December 2008 and February 2010 that advertisement tax of ₹ 19.53 lakh for the period from April 2005 to January 2010 was neither paid

by 2,139 cable operators and six proprietors of video operators nor any action to levy/realise the tax was taken by the department. This resulted in non-realisation of advertisement tax of ₹ 19.53 lakh.

<sup>3</sup> Bhopal, Gwalior, Jabalpur, Indore and Ujjain

<sup>4</sup> Balaghat, Khargone, Narsinghpur, Shivpuri, Seoni and Vidisha

<sup>5</sup> Barwani, Balaghat, Bhind, Burhanpur, Chhindwara, Damoh, Datia, Harda, Katni, Khandwa, Rajgarh, Sehore, Shivpuri, Tikamgarh and Vidisha

After we pointed out the cases, the EC in January 2010 stated that although the advertisement tax on cable operators is not leviable under the provisions of the Act, a letter had been issued (August and December 2009) to the administration department to apprise with the comments of the Law department. The reply is not acceptable as the provision under the Act do not preclude cable operators/video operators exhibiting advertisements from liability of paying tax.

We reported the matter to the Government between December 2009 and March 2010; their replies have not been received (December 2010).