

**CHAPTER -IV**  
**State Excise and Entertainment Duty/Non-Tax Receipts**

**4.1 Results of audit**

Test check of the records relating to the Excise and Taxation (state excise duties and entertainment tax), Revenue and Rehabilitation (land revenue), Industries and Commerce and Lotteries departments revealed irregularities involving ₹ 67.72 crore in 203 cases, which broadly fall under the following categories:

(₹ in crore)

Sr. No.	Categories	Number of cases	Amount
<b>A: Excise and Taxation Department</b>			
<b>(i) State excise duties</b>			
1.	Loss of excise duty due to subnormal yield of spirit from molasses	4	2.28
2.	Outstanding recovery of excise duty	1	0.22
3.	Others irregularities	9	0.30
<b>Total</b>		<b>14</b>	<b>2.80</b>
<b>(ii) Entertainment tax/duty</b>			
1.	Non-recovery of entertainment tax/duty from cinema houses/video parlours	12	0.05
2.	Non-recovery of entertainment duty from cable operators	72	0.30
<b>Total</b>		<b>84</b>	<b>0.35</b>
<b>B: Revenue and Rehabilitation Department</b>			
<b>Land revenue</b>			
1.	Non/short recovery of chowkidara <sup>1</sup> tax	21	1.76
2.	Non-deduction of service fee/charges	32	0.55
3.	Other irregularities	46	28.57
<b>Total</b>		<b>99</b>	<b>30.88</b>
<b>C: Industries and Commerce Department</b>			
1.	Non-recovery of guarantee fee	2	31.75
<b>D: Lotteries Department</b>			
1.	Non-deduction of establishment cost	4	1.94
<b>Grand total</b>		<b>203</b>	<b>67.72</b>

A few illustrative cases involving ₹ 36.53 crore are discussed in the succeeding paragraphs.

<sup>1</sup> Remuneration paid to the village watchman.

## **4.2 Audit observations**

*During scrutiny of the records relating to the Departments of Excise and Taxation (state excise duties and entertainment duty), Revenue and Rehabilitation (land revenue), Industries and Commerce and State Lotteries, we noticed some cases of non-observance of the provisions of the Act/Rules and Government instructions resulting in short yield of spirit, non-realisation of the establishment charges, non registration of cable television operators, non realisation of revenue from the unauthorised occupants, non-recovery of guarantee fee and non deduction of establishment cost from the prize winning tickets as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on a test check carried out by us. We point out such omissions in audit repeatedly, but not only the irregularities persist, they also remain undetected till we conduct audit. The Government needs to improve the internal control system to avoid occurrence of such cases in future.*

### **A: Excise and Taxation Department**

#### **(i) State excise duties**

### **4.3 Non-observance of provisions of the Acts/Rules**

*(a) The Punjab Distillery Rules 1932 provide for:-*

- (i) yield of spirit at prescribed norms and*
- (ii) recovery of establishment charges.*

*The department did not observe some of the provisions in the cases mentioned in the paragraphs 4.3.1 and 4.3.2, which resulted in non-realisation of excise duty and cost of establishment charges of ₹ 2.50 crore.*

*(b) The Punjab Entertainments Duty Act, 1955 provides for levy of entertainment duty on the cable television operators. The department did not observe this provision in the cases mentioned in the paragraph 4.3.3, which led to non-collection of entertainment duty of ₹ 2.10 lakh.*

#### **4.3.1 Sub normal yield of spirit from molasses**

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

In five distilleries<sup>2</sup>, we noticed between April 2009 and March 2010 that from 2.32 lakh quintals of molasses only 79.26 lakh proof litres of spirit was produced against the normative yield

of 84.77 lakh proof litres of spirit during the year 2008-09. Had the prescribed norms of yield of spirit been achieved, the Government would have earned

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<sup>2</sup> M/s AB Sugar Ltd. Randhawa-Dasuya (Hoshiarpur), M/s Chandigarh Distillers & Bottlers Ltd. Banur (Patiala), M/s Jagatjit Industries Ltd. (Hamira Distillery) Hamira Kapurthala, M/s Patiala Distillers and Manufacturers Ltd. Main (Patiala) and M/s Piccadily sugar and allied industries (Distillery unit) Patran.

excise duty of ₹ 2.31 crore on the additional yield of 5.51 lakh proof litres of spirit.

When we pointed out, the ETO, Patiala stated that no revenue loss seemed to have occurred. The ETOs of Dasuya, Hamira, Main (Patiala) and Patran stated that with advancement of technology, sugar mills were extracting maximum sugar from sugarcane and the sugar contents in the molasses were reduced to a minimum. The reply is not acceptable because the Public Accounts Committee (January 2010) while discussing the paragraph 4.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006, Revenue Receipts-Government of Punjab directed that the Punjab Distillery Rules 1932 should be amended and all such cases should be decided as early as possible; The State Government is yet to amend the Rules.

We reported the matter to the Department and the Government in March 2010; their replies are awaited (October 2010).

#### **4.3.2 Failure to realise the establishment charges**

Under the Distillery Rules, the licensee shall pay into the Government treasury such sums as may be demanded by the Commissioner towards the salaries of personnel of the Excise and Taxation Department posted in the distillery for the purpose of ensuring due observance of these rules.

We found between August 2009 and January 2010 that the establishment charges of ₹19.10 lakh payable for the year 2008-09 towards the Government staff posted in two distilleries<sup>3</sup> for ensuring the due observance of the Distillery Rules, were not demanded by the Department. The non-observance of the Rules resulted in non-realisation of the establishment charges of ₹ 19.10 lakh.

When we pointed out, the ETOs at Hamira and Jamalpur stated (between August 2009 and January 2010) that as no demands towards the establishment charges for the year 2008-09 were made by the Excise and Taxation Commissioner, Punjab, the amount was not recovered. The fact remains that the ETC Punjab, Patiala had failed to raise the demands of the dues as envisaged in the Rules.

We reported the matter to the Department and the Government in February 2010; their replies are awaited (October 2010).

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<sup>3</sup> Jagatjit Industries, Hamira Distillery, Hamira and M/s United Breweries Limited, Jamalpur, (Ludhiana).

## **(ii) Entertainment duty**

### **4.3.3 Failure to collect the entertainment duty**

#### **AETC, Amritsar-I**

- ❖ The Punjab Entertainments Duty Act, 1955 as amended in 1999 provides that entertainment duty of ₹ 15,000 per annum at a time is payable with effect from 1 April 1999 by the proprietors providing entertainment with the aid of antenna or cable television.
- ❖ The cable television operators get themselves registered with the Department of Posts under the Cable Television Networks (Regulation) Act, 1995.

We noticed in January 2010 that no records were maintained by the AETC regarding the number of cable television operators (CTVOs) operating in his jurisdiction. We collected information from the Department of Posts (DOP) in Amritsar and found that in the jurisdiction of the AETC Amritsar-I, 14 CTVOs were holding valid licences obtained from the DOP for providing entertainment with the aid of antenna or cable television during 2008-09. Cross verification of this information with the available records of the AETC disclosed that

the 14 CTVOs had neither paid the entertainment duty nor it was demanded by the AETC. Thus, there was non-collection of entertainment duty of ₹ 2.10 lakh.

When we pointed out, the AETC stated that only one CTVO existed in his jurisdiction. The reply is not correct as all the 14 CTVOs operating in his jurisdiction were holding valid licenses for the year 2008-09.

We reported the matter to the Department and the Government in March 2010; their replies are awaited (October 2010).

## **B: Revenue and Rehabilitation Department**

### **Land revenue**

#### **4.4 Non-observance of provisions of the Acts/Rules**

*The Punjab Land Revenue Act, 1887 and Rules thereunder and Government instructions provide for:-*

- (i) deduction of service charges;*
- (ii) eviction of the unauthorised occupants from Government land and*
- (iii) policy for disposal of rural/urban evacuee land.*

*The department did not observe some of the above mentioned provisions in the cases mentioned in the paragraphs 4.4.1 and 4.4.2, which resulted in non recovery of service charges and non-realisation of revenue from the unauthorised occupants to the tune of ₹ 31.96 lakh.*

#### 4.4.1 Non-recovery of service charges

##### DROs, Gurdaspur and Moga

❖ The Punjab Land Revenue 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 the 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 effected from the defaulters on behalf of the corporations, boards and banks.

❖ Further, 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 revenue recovery certificate (RRCs).

We noticed in December 2008 and October 2009 that

(a) an amount of ₹ 2.44 crore as arrears of land revenue was recovered by the DRO Moga between October 2005 and September 2008. But collection of service charges of ₹ 8.33 lakh at the rate of two/five *per cent* of the arrears recovered was neither deducted nor demanded from the corporations, boards and banks and

(b) RRCs involving dues of ₹ 8.58 crore were accepted by the DROs Gurdaspur and Moga without receipt of non-refundable advance payment of service charges of ₹ 17.16 lakh between August 2007 to September 2008 in contravention of the Government instructions.

Thus, non-compliance of the Rules and Government instructions resulted in non-realisation of revenue of ₹ 25.49 lakh.

When we pointed out, the DRO Moga stated in December 2008 that recovery of service charges would be made as per the rules.

We reported the matter to the Department and Government (November 2009 and February 2010); the reply is still awaited (October 2010).

#### 4.4.2 Non-realisation of revenue from the unauthorised occupants

##### Tehsildars Batala and Rampura Phul

The State Government laid down (September 2007) the policy for disposal of rural/urban evacuee land. The unauthorised occupants of the Government land shall apply to the concerned Sub Divisional Magistrate within a period of three months for the transfer of such land and it could be transferred at the rate of ₹ 15,000 per acre for persons of general category and ₹ 12,000 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 of rural and urban evacuee agricultural land is chargeable at the rate of ₹ 250 and ₹ 1000 per acre per harvest respectively. Whereas the rent at the rate of ₹ 125 and ₹ 500 per acre per harvest is chargeable from the members of Scheduled Castes and *Rai Sikh* for unauthorised use and occupation of rural and urban evacuee agricultural land.

We found in February and October 2009 that 1,293 acres of Government land encroached upon 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 ₹ 6.47 lakh<sup>4</sup> for unauthorised occupation of 1,293 acres of Government agricultural land between October 2006 and September 2009 was recoverable from the unauthorised occupants for which no demands were raised. Failure to do so resulted in non-realisation of revenue of ₹ 6.47 lakh.

When we pointed out in February and October 2009, the tehsildar, Rampura Phul stated in February 2009 that the demand would be created and sent to the Collector for his approval, whereas the tehsildar, Batala intimated in October 2009 that the land would be transferred to the unauthorised occupants. The reply of the tehsildar, Batala is not relevant as the eligible unauthorised occupants were entitled to apply for transfer of land within three months from the date of advertisement in Newspaper in September 2007.

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

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<sup>4</sup> 1293 acres of rural land at the rate of ₹ 125 per harvest for four harvests.

## C: Industries and Commerce Department

### 4.5 Failure to recover the guarantee fee

*Non-compliance of the notifications issued by the Government of Punjab (Industries and Commerce Department) deprived the State guarantee fee of ₹ 31.75 crore.*

According to the powers conferred by Article 293 of the Constitution of India, the State Government gives guarantees on the Consolidated Fund of the State to various institutions/banks lending money to Public Sector undertakings etc. so as to assure them repayment of principal amount of loans, in the event of default by the borrowers. Such guarantees constitute contingent liabilities of the State. The Government had laid down terms and conditions governing sanctions for guarantees according to which the borrowers must ensure that the prescribed guarantee fee are paid.

We collected information from Punjab Rural Development Board (PRDB) and Punjab Mandi Board (PMB) in October 2009 and observed that the State Government had issued five notifications between March 2004 and November 2008 permitting them to raise the loans of ₹ 1,587.50 crore from banks and stood as guarantor assuring the banks the repayment of loans in the event of default by the borrowers. The terms and conditions of the notifications provide for deposit of guarantee fee at the rate of two *per cent* of the guaranteed loan at the time of giving of guarantee. The guarantee fee of ₹ 31.75 crore was neither deposited by PRDB and PMB in the Government account nor demanded by the Government as tabulated below:-

(₹ in crore)

Sr. No.	Name of institutions	Purpose of loan availed	Year	Amount of loan	Guarantee fee not paid
1.	Punjab Rural Development Board, Chandigarh	i) Constructions/ Repair of Link Roads	2003-04	165.00	3.30
			2006-07	335.00	6.70
		ii) Comprehensive Rural Development	2007-08	135.00	2.70
			2008-09	400.00	8.00
2.	Punjab Mandi Board, Chandigarh	i) Constructions of New Rural Roads	2004-05	140.00	2.80
			2006-07	112.50	2.25
		ii) Special Repair of Rural roads	2008-09	300.00	6.00
<b>Total</b>				<b>1,587.50</b>	<b>31.75</b>

When we pointed out between November 2009 and February 2010, the borrowers intimated between November 2009 and March 2010 that the matter regarding waiver of guarantee fee had been taken up with the Government. However, further information collected (January 2010) by us revealed that the request of PRDB for waiver of guarantee fee of ₹ 20.70 crore had not been accepted. The request of PMB for waiver was pending with the Government. Thus, non-compliance of the terms and conditions governing the guarantees by the borrowers deprived the State Government of its dues of ₹ 31.75 crore.

We reported the matter to the Department and the Government in April 2010; their replies are awaited (October 2010).

## **D: Lotteries Department**

### **4.6 Failure to deduct the establishment cost**

*Non-compliance of provisions of the Punjab State Lotteries Rules, 1998 resulted in loss of revenue of ₹ 1.94 crore.*

❖ Under the Punjab State Lotteries Rules, 1998 as amended in July 2000, the Directorate of Lotteries shall have the over-riding charge to make deductions from the prizes of bumper draw of lottery as may be specified by the State Government from time to time towards the establishment cost of the Directorate.

❖ The terms and conditions governing the schemes of bumper draws prior to August 2004 contained provision for deduction of 20 *per cent* of the prize money paid in cash towards the establishment cost of the Directorate.

#### **Directorate of Lotteries**

We found in February 2010 that four bumper draws having total prizes valued ₹ 9.68 crore were paid between August 2008 and April 2009, but deductions towards the establishment cost were not made from the prizes of bumper draws, on the ground that the terms and conditions of the schemes of bumper draws framed by the department did not provide for such deductions. Thus, failure on the part of the Directorate of Lotteries to approach the Government for prescribing the quantum of deduction towards the establishment cost resulted in loss of revenue of ₹ 1.94 crore at the rate of 20 *per cent* of the prize money during August 2008 to April 2009.

When we pointed out, the Director intimated in February 2010 that the prizes had been paid as per the approved schemes. He further stated that it was a policy decision not to cut the establishment cost. The departmental reply is not acceptable on the following grounds:-

- (a) As per the Punjab State Lotteries Rules, 1998, the deduction on account of establishment cost was mandatory. Government was only to specify the rate of deduction of establishment cost of the Directorate from time to time.
- (b) Non-inserting of a clause in the scheme of bumper draw of the lottery regarding deduction from the prizes towards the establishment cost of the Directorate was contrary to the Rules.

We reported the matter to the Department and the Government in May 2010; their replies are awaited (October 2010).