

CHAPTER - VI

Other Tax Receipts

EXECUTIVE SUMMARY	
Tax administration	<p>This Chapter contains cases on receipts from the State Excise and Profession Tax. The assessment and collection of Excise duty and Profession Tax are governed by separate sets of Acts and Rules. These taxes are administered by the Excise Department and the Finance (Revenue) Department headed by the Secretary who is assisted by the concerned directorates.</p>
Results of audit conducted in 2011-12	<p>In 2011-12 test check of the records of 30 units relating to Excise Duty and Fees, Profession Tax, Amusement Tax and Electricity Duty indicated underassessment of tax and other irregularities involving ₹ 63.62 crore in 174 cases.</p> <p>The departments accepted underassessment and other deficiencies of ₹ 12.04 crore in 66 cases, of which 42 cases involving ₹ 5.30 crore were pointed out in audit during the year 2011-12 and the rest in the earlier years.</p>
What has been highlighted in this Chapter	<p>In this Chapter illustrative cases of ₹ 65.88 lakh selected from the observations noticed during the test check of records of the office of the Superintendent of Excise, South 24 Parganas and the unit offices of Profession Tax have been highlighted.</p>
Conclusion	<p>There is no mechanism of cross verification by the profession tax officers with the license granting authorities to bring persons evading professions tax into the tax net.</p>

CHAPTER VI : OTHER TAX RECEIPTS

6.1 Tax administration

Assessment and collection of Excise duty and other Fees, Profession Tax, Amusement Tax and Electricity Duty are governed by separate sets of Acts and Rules. These taxes are administered by the Excise Department and the Finance (Revenue) Department headed by the Principal Secretary/Secretary who is assisted by concerned directorates.

6.2 Results of audit

In 2011-12 we test checked the records of 30 units relating to Excise Duty and other Fees, Profession Tax, Amusement Tax and Electricity Duty and found underassessment of tax and other irregularities amounting to ₹ 63.62 crore in 174 cases falling under the following categories:

Table 6.1 – Results of audit

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
A. STATE EXCISE			
1	Non/short levy of excise duty/wastage fee on chargeable wastage of RS/IMFL	07	1.92
2	Non/short realisation of privilege fee/additional fee/licence fee/renewal fee/initial grant fee/pass fee etc.	11	0.33
3	Non/short realisation of establishment cost/fee	12	0.99
4	Loss/blockage of revenue	09	1.11
5	Non/short realisation of excise duty due to short yield of alcohol/beer etc.	01	0.81
6	Other cases	45	5.99
Total		85	11.15
B. PROFESSION TAX			
1	Non-realisation of Profession tax due to non-enrolment	25	0.63
2	Non-realisation of Profession tax from enrolled companies/professionals	08	0.13
3	Other cases	09	0.27
Total		42	1.03
C. AMUSEMENT TAX			
1	Non/short realisation of Entertainment/Luxury/Amusement tax etc.	18	0.92
2	Other cases	16	0.24
Total		34	1.16

D. ELECTRICITY DUTY			
1	Non/short assessment and non/short realisation of Electricity duty	05	36.10
2	Non-levy/realisation of interest of delayed payment of Electricity duty	01	4.44
3	Short raising of demand	03	9.73
4	Other cases	04	0.01
Total		13	50.28
Grand Total		174	63.62

During the year, the departments accepted underassessment and other deficiencies of ₹ 12.04 crore in 66 cases, of which 42 cases involving ₹ 5.30 crore were pointed out in the year 2011-12 and the rest in the earlier years. An amount of ₹ 15.39 lakh was realised in five cases during the year.

A few illustrative cases involving ₹ 65.88 lakh are mentioned in the following paragraphs.

6.3 Audit observations

Scrutiny of the records in the offices of the Superintendent of Excise, Joint Commissioners of Profession Tax (JCPTs), Deputy Commissioners of Profession Tax (DCPTs) and Profession Tax Officers (PTOs) indicated short realisation of annual licence renewal fee and non-realisation of profession tax as mentioned in the succeeding paragraphs in this chapter. These cases are illustrative and are based on test check carried out in audit. Such omissions pointed out in audit repeatedly but not only did these persist, but also remained undetected till next audit. There is need to improve the internal control system in these departments so that recurrence of such lapses is avoided.

A. State Excise

6.4 Short realisation of annual licence renewal fee

Rule 7(vi) of the West Bengal Excise (Foreign Liquor) [WBEFL] Rules, 1998 provides for charging of annual renewal licence fee from a manufactory of foreign liquor (FL). The licence fee is payable at the rate of ₹ 0.50 per bulk litre (BL), subject to a minimum of ₹ 2,00,000 for the quantity of foreign liquor (FL) manufactured during the 12 months up to the last day of January of the preceding licensing year.

During scrutiny of Production Registers in the office of the Superintendent of Excise (SE), South 24 Parganas between August and September 2011 we found that two FL manufactories paid annual licence renewal fee of ₹ 63.14 lakh for the licensing year 2010-11 which was calculated on the quantity of production of 11 months during March 2009 to January 2010. However, the annual renewal licence fee was payable on the quantity of production of 12 months during February 2009 to January 2010 which works out to be ₹ 69.18 lakh. This resulted in short realisation of annual licence renewal fee of ₹ 6.04 lakh as detailed in the following table:

Table 6.2 – Short realisation of annual licence renewal fee

(₹ in lakh)

Name of the FL manufactory	Production of FL during February 2009 to January 2010	Annual renewal licence fee payable	Annual renewal licence fee paid	Short realisation of annual renewal licence fee
M/s IFB Agro Industries Ltd., Mahestala	1,01,04,667 BL	50.52	46.25	4.27
M/s Madhusala Drinks Pvt. Ltd., Pujali	37,31,541 BL	18.66	16.89	1.77
Total	1,38,36,208 BL	69.18	63.14	6.04

SE, South 24 Parganas did not furnish any specific reply to the above case pointed out by audit.

The Government stated (June 2012) that the two FL manufactories were required to pay annual renewal licence fee based on quantity of production of 11 months (March 2009 to January 2010) . The reply is not tenable in view of the rule 7(vi) of WBEFL Rules which stipulates payment of annual renewal licence fee based on quantity of production of 12 months.

B. Profession Tax

6.5 Non-realisation of Profession Tax due to non-enrolment

Sections 3(2) and 5(2) of the West Bengal State Tax on Professions, Trades, Callings and Employments Act, 1979 provides that every person coming under the purview of the Act shall obtain a certificate of enrolment from the prescribed authority and pay tax at the prescribed rates.

We obtained information about professionals, traders etc. from 13 licence issuing offices¹ and cross verified it with the records of enrolment of six unit offices² of profession tax between October 2010 and June 2011 and found that 1,008³

professionals, traders etc. had not enrolled themselves with the prescribed authority and continued their professions without payment of profession tax between 2006-07 and 2010-11. The Profession Tax Officers (PTOs) failed to bring these persons under the tax net and recover the tax at the prescribed rates. Absence of a mechanism to bring the persons evading tax into the tax net by cross verification with the licence granting authorities resulted in non-realisation of profession tax of ₹ 59.84 lakh as shown in **Annexure - III**.

After we pointed these out, the PTO, West Bengal Central Unit-VIII, Barrackpore admitted the audit observations (October 2010) in respect of 362 professionals, traders etc. involving ₹ 20.50 lakh and stated that demand notices would be served to realise the amount; but did not furnish any report on realisation. The PTO, WBSU – IV, Purba Midnapore stated (February 2012) that notices had been issued to 185 professionals, traders etc.

¹ Sub-divisional Officer, Barrackpore, 24 Parganas (N), District Excise Office, 24 Parganas (N), Senior Post Master, 24 Parganas (N), CMOH, 24 Parganas (N)), CMOH, Howrah, Bidhan Nagar Municipality, Head Post Master, Nadia, CMOH Nadia, District Excise Office, Malda, CMOH Malda, Postmaster, Malda Head Post Office, CMOH, Purba Midnapore and District Excise Office, Purba Midnapore.

² PTO,WBCU-VIII, Barrackpore, PTO,WBSU-I, Howrah, JCPT,Kolkata East Range, PTO, WBCU-II, Krishnanagar, Nadia, DCPT,WBNU-V, Malda and PTO,WBSU-IV, Purba Midnapore.

³ Money lenders -88, Country liquor shop owners – 42, Foreign Liquor ON/OFF shop owners – 103, Cable operators – 151, Nursing Homes and Pathological Laboratories – 522, Day Care Centres – 23, Beauty Parlours – 9, Petrol Pump owners-5, USG Clinics – 23 and X-ray Centres -42.

involving ₹ 14.27 lakh and ₹ 1.70 lakh had been realised. In the remaining cases, the Department did not furnish any specific reply (December 2012).

The Government accepted (October 2012) the audit observation and stated that detailed reply would be submitted; their reply is awaited (December 2012).