

# **CHAPTER VI**

## **RECEIPTS**

## 6.1 Trend of revenue receipts

The total receipts of Government of the Union Territory of Pondicherry for the year 2001-2002 were Rs 1072.59 crore, as against the budgeted estimates of Rs 944.21 crore. The total receipts were Rs 125.86 crore more than the previous year (Rs 946.73 crore). The total revenue of Rs 1072.59 crore included Rs 570.90 crore being the revenue raised by Government, of which Rs 268.59 crore represented tax revenue and the balance of Rs 302.31 crore, non-tax revenue. The receipts from Government of India (Rs 501.69 crore) during the year accounted for 47 per cent of the total receipts.

### 6.1.1 Analysis of revenue receipts

An analysis of the receipts during the year 2001-2002 with the corresponding figures for the preceding two years is given below :

(Rupees in crore)				
Serial number		1999-2000	2000-2001	2001-2002
I	Revenue raised by the Government			
	(a) Tax revenue	260.59	291.86	268.59
	(b) Non-tax revenue	218.47	255.13	302.31
	Total (I)	479.06	546.99	570.90
II	Grants-in-aid received from Government of India	398.43	399.74	501.69
III	Total receipts of the Government (I + II)	877.49	946.73	1072.59
IV	Percentage of I to III	55	58	53

#### (a) Tax receipts

Tax receipts during the year 2001-2002 constituted 47 per cent of the revenue raised by the Union Territory. An analysis of tax revenue for the year 2001-2002 and the preceding two years is given below:

(Rupees in crore)

Serial number	Tax Heads	1999-2000	2000-2001	2001-2002	Percentage of Increase (+) / Decrease (-) in 2001-2002 over 2000-2001
1	Taxes on Sales, Trades, etc.,	171.42	193.50	160.42	(-) 17
2	State Excise	61.00	66.18	76.13	(+) 15
3	Stamps and Registration Fees	9.47	12.31	12.83	(+) 4
4	Taxes on Vehicles	17.65	19.16	18.54	(-) 3
5	Land Revenue	0.88	0.30	0.49	(+) 63
6	Others	0.17	0.41	0.18	(-) 56
	<b>Total</b>	<b>260.59</b>	<b>291.86</b>	<b>268.59</b>	

Reasons for variation as stated by the departments concerned are given below:

*State Excise*

The increase (15 per cent) was due to revision of excise duty on Indian Made Foreign Liquor products, collection of kist<sup>12</sup> arrears, increased rate of kist on arrack and toddy shops.

Reasons for variations from other departments have not been received (October 2002).

(b) *Non-tax revenue*

Receipts from non-tax revenue during 2001-2002 constituted 53 per cent of the revenue raised by the Union Territory. Break-up of non-tax revenue under the principal heads for the year 2001-2002 and the preceding two years is given below:

<sup>12</sup> Stated payment of revenue in instalments

(Rupees in crore)					
Serial number	Non-tax Heads	1999-2000	2000-2001	2001-2002	Percentage of Increase (+)/ Decrease (-) in 2001-2002 over 2000-2001
1	Power	202.32	238.79	281.24	(+) 18
2	Interest Receipts, Dividends and Profits	2.22	2.15	4.18	(+) 94
3	Medical and Public Health	2.86	2.99	3.35	(+) 12
4	Education, Sports, Art and Culture	0.80	0.61	0.33	(-) 46
5	Crop Husbandry	0.43	0.63	0.38	(-) 40
6	Public Works	0.91	1.03	1.35	(+) 31
7	Other Receipts	8.93	8.93	11.48	(+) 29
	<b>Total</b>	<b>218.47</b>	<b>255.13</b>	<b>302.31</b>	

Reasons for variation as stated by the departments concerned are given below:

#### *Power*

The increase (18 per cent) was due to increase in the number of consumers under domestic, commercial, Low Tension (LT) and High Tension (HT) categories and collection of old arrears and hike in tariff.

#### *Interest Receipts, Dividends and Profits*

The increase (94 per cent) was due to accounting of interest waiver by Agriculture Department by contra accounting in the expenditure head as losses written off and more dividend paid by the Pondicherry Distilleries Limited.

#### *Education, Sports, Art and Culture*

The decrease (46 per cent) was due to introduction of free education upto Undergraduation level.

#### *Crop Husbandry*

The decrease (40 per cent) was due to lower sale of agricultural machinery, implements, farm products and inputs.

#### *Public Works*

The increase (31 per cent) was due to higher sale of tender documents, levy of compensation on the part of the contractor, auction sale of unserviceable material, collection of fees for the registration of the contractors and the collection of charges for scrutinising the work estimates.

Reasons for variations from the other departments have not been received (October 2002).

## 6.2 Arrears of revenue

The arrears of revenue pending collection as on 31 March 2002 under principal heads of revenue, as reported by the departments, amounted to Rs 6690.48 lakh as indicated below:

(Rupees in lakh)				
Serial number	Sources of Revenue	Total arrears	Amount outstanding for more than 5 years	Remarks
(1)	(2)	(3)	(4)	(5)
1.	Electricity	3565.52	Not furnished	Of the total arrears Rs 1815.55 lakh relates to HT consumers and Rs 1749.96 lakh relates to LT consumers. Of the HT arrears, an amount of Rs 84.21 lakh is pending with Claims Commissioner, New Delhi and Rs 1316.73 lakh is under litigation. Of the LT arrears, Rs 223.45 lakh relates to Local bodies and Rs 232.75 lakh relates to Government departments.
2.	State Excise	1540.26	1435.34	Action is being taken to recover the arrears under Revenue Recovery Act.
3.	Commercial Taxes	858.71 PGST - 756.16 CST - 102.55	53.05	Of the total arrears, demands amounting to Rs 566.04 lakh were stayed by High Court and other judicial authorities and an amount of Rs 269.50 lakh was under various stages of recovery. Demand for Rs 4.43 lakh was covered by Recovery Certificates and Rs 4.16 lakh was likely to be written off. An amount of Rs 14.58 lakh has since been collected.

(1)	(2)	(3)	(4)	(5)
4.	Transport	301.86	12.95	Out of the arrears of Rs 301.86 lakh, Rs 211.47 lakh was covered under Revenue Recovery Act and action is being taken by Enforcement staff to collect the arrears by conducting special drives. Rs 90.39 lakh was under various stages of recovery.
5.	Public Works Department	204.36	18.40	Action is being taken to recover the arrears.
6.	Government Automobile Workshop	117.44	0.81	Action is being taken to stop fuel supply to the departments who failed to remit their dues.
7.	Stationery and Printing	40.58	0.80	Action is being taken to recover the arrears.
8.	Judicial	11.85	2.01	Reasons not furnished.
9.	Town and Country Planning	11.17	11.17	The Department stated that the allottees did not pay the enhanced plot costs. Suits are being filed in the court against defaulters.
10.	Industries	8.28	5.78	Accumulation of arrears was due to non-functioning of units and units that are closed. Action is being taken to recover the arrears under Revenue Recovery Act.
11.	Co-operation	4.47	0.47	Action is being taken to recover the arrears.
12.	Information and Publicity	6.77	3.97	Action is being taken to collect the room rent arrears due from ministers and canteen rent from PT&TDC.
13.	Agriculture	8.72	0.22	Action is being taken to recover the arrears.
14.	Other Departments	10.49	2.79	Action is being taken to recover the arrears.
<b>Total</b>		<b>6690.48</b>	<b>1547.76</b>	

**PGST: Pondicherry General Sales Tax**

**CST : Central Sales Tax**

**PT & TDC : Pondicherry Tourism and Transport Development Corporation Limited**

### 6.3 Frauds and evasions

Details of cases of fraud and evasion of Sales Tax at the end of 31 March 2002 as reported by the department were as under:

Details	Number of cases
A (i) Cases pending as on 1 April 2001	37
(ii) Cases detected during the year	32
B Cases in which investigation/assessments were completed during the year	(37)
(i) Out of cases in A(i) above	20
(ii) Out of cases in A (ii) above	17
C Cases which were pending as on 31 March 2002	(32)
(i) Out of cases in A(i) above	17
(ii) Out of cases in A(ii) above	15
D In respect of cases where investigation/assessments had been completed	
(i) Amount of additional demand raised	Rs 9.13 lakh
(ii) Amount involved in penalty	Rs 0.32 lakh

### 6.4 Internal audit

While internal audit was introduced in Registration and Commercial Taxes Departments (1978) and in Land Revenue Department (1981), it had not yet been introduced in State Excise and Transport Departments.

Non-existence of internal audit system in both these departments had been commented upon in previous Audit Reports of the Comptroller and Auditor General of India. However, there was no positive response from the Government.

The pendency position as reported by the Commercial Taxes Department (June 2002) was as under:

Year	Number of offices due to be taken up	Completed	Balance
Upto 1996-1997	7	3	4
1997-1998	7	3	4
1998-1999	7	3	4
1999-2000	7	1	6
2000-2001	7	---	7
2001-2002	7	3	4

The Registration Department had not conducted internal audit during 1996-97 to 2001-2002. The Department stated (May 2002) that internal audit was not conducted from October 1996 onwards due to non-filling up of the vacancies.

## 6.5 Outstanding inspection reports and audit observations

Audit observations on incorrect assessments, under-assessments, non-levy/short-levy of taxes, duties, fees and other revenue receipts, defects in initial accounts, etc., noticed during local audit but not settled on the spot are communicated to the Heads of Offices and to the higher authorities through local audit reports. Important irregularities are also reported to the Heads of Department and Government.

At the end of June 2002, 150 inspection reports relating to various departments issued upto 31 December 2001 containing 468 audit observations involving receipts amounting to Rs 93.34 crore were pending settlement as detailed below:

Serial number	Tax Heads	Outstanding		Amount (Rupees in crore)
		Inspection Reports	Audit objections	
1.	Taxes on Sales, Trades etc.	33	139	84.92
2.	Land Revenue	17	39	0.91
3.	Stamps and Registration Fees	58	151	0.51
4.	Taxes on Vehicles	24	101	1.62
5.	State Excise	18	38	5.38
<b>Total</b>		<b>150</b>	<b>468</b>	<b>93.34</b>



## 6.6 Results of audit

Test-check of records of the following departmental offices conducted by Audit during the period from April 2001 to March 2002 revealed under-assessments/non-levy of tax, etc., amounting to Rs 87.00 lakh in 35 cases as detailed below:

Serial number	Heads of Revenue	Number of cases	Amount (Rupees in lakh)
1	State Excise	3	9.59
2	Taxes on Sales, Trades, etc.	21	40.12
3	Taxes on Vehicles	10	20.96
4	Land Revenue	1	16.33
<b>Total</b>		<b>35</b>	<b>87.00</b>

## COMMERCIAL TAXES DEPARTMENT

### 6.7 Incorrect grant of exemption from levy of tax

By a notification dated 25 June 1974, exemption was granted for a period of five years (extended from time to time) for Small Scale Industries which went into production on or after 6 November 1969. However, exemption for small scale industrial unit is available only in respect of goods specified in the certificate of registration issued by the Department of Industries and Commerce. Tax on cinematographic film is leviable at two *per cent* at the point of first sale.

In Industrial Assessment Circle, Pondicherry, the certificate issued to an assessee by the Director of Industries for permanent registration as small scale unit, was for the manufacture of cinematographic positive film only. However, the sales turnover of sound negative film amounting to Rs 58.63 lakh made by the assessee during 1997-98 was erroneously given exemption. This had resulted in non-levy of tax amounting to Rs 1.17 lakh.

On this being pointed out in audit (January 2001), the department revised the assessment (November 2001) and raised a demand for Rs 1.17 lakh which was also collected (December 2001).

## 6.8 Non-levy of tax

Under Section 3-A of the Pondicherry General Sales Tax Act, 1967, every dealer shall pay tax, on the taxable turnover relating to the business of transfer of the right to use any goods for any purpose.

Brand name, an intangible goods, being not specified elsewhere in any of the Schedules to the Act, is therefore taxable at three *per cent* under Entry 21 of Part D of the First Schedule to the Act, with effect from 21 August 1996.

In Pondicherry (Industrial Assessment) Circle - IV, it was noticed that income amounting to Rs 35.28 lakh received by a dealer during the year 1997-98 for allowing others to use his brand name was not considered for assessment. This had resulted in non-levy of tax amounting to Rs 1.06 lakh.

On this being pointed out (September 2001) during local audit, the department replied (September 2001) that usage of brand name was in no way connected with sale transactions and therefore was not taxable.

The reply is not tenable as it has been judicially held<sup>13</sup> that transfer of right to use trademark is taxable.

The matter was reported to the department/Government (May 2002); their replies have not been received (January 2003).

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<sup>13</sup> **Commissioner of Sales Tax Versus Duke and Sons (P) Ltd. (Bombay) - 112 STC 70**