

**Chapter-6: OTHER TAX RECEIPTS****A: ENTERTAINMENT DUTY/TAX****6.1 Results of audit**

Test check of records relating to entertainment duty/tax conducted during the year 2000-2001, disclosed short recovery of revenue amounting to Rs.107.64 lakh in 391 cases which broadly falls under the following categories:

(In lakh of rupees)			
Sr. No	Category	Number of cases	Amount
1	Non/short levy of licence fee/ entertainment duty/tax on cinema houses/video parlours	74	49.27
2	Non levy of penalty and interest	4	0.41
3	Non/short deposit of security	7	0.26
4	Non realisation of entertainment duty from cable operators	305	44.54
5	Non collection of entertainment duty from sports	1	13.16
<b>Total</b>		<b>391</b>	<b>107.64</b>

During the course of the year 2000-2001, the department accepted audit observations involving Rs.59.81 lakh in 182 cases. The department recovered Rs.2.58 lakh in 16 cases pointed out in earlier years. A few illustrative cases highlighting important irregularities noticed in audit involving financial effect of Rs.1.34 crore are given in the following paragraphs:

## **6.2 Non-collection of entertainment duty on sports**

Under the provisions of the Punjab Entertainment Duty Act, 1955, the Government may, for promotion of peace and international goodwill or for encouragement of arts and crafts, sports or any other public interest, by general or special order, exempt any entertainment or class of entertainments from liability to pay (either whole or any portion) duty. Further, under the provisions of Rules, any proprietor of an entertainment claiming exemption under the Act, from payment of entertainment duty, shall submit an application to the Entertainment Tax Officer of the District concerned who shall forward the same to the Commissioner for obtaining the orders of the Government.

During test check of records of entertainment duty maintained in the office of the Asstt. Excise and Taxation Commissioner Ropar, it was noticed (August 1999 and September 2000) that the Punjab Cricket Association (PCA) organised 3 cricket matches between May 1998 and October 1999 and collected an amount of Rs.49.58 lakh on account of sale of tickets, on which the entertainment duty of Rs.27.54 lakh was leviable. The PCA neither obtained exemption from payment of duty nor the department recovered the same from the PCA.

The above matter was referred to the department (between August 1999 and October 2000) and Government in April 2000 and March 2001. The matter was followed up with reminders to Financial Commissioner (Taxation) and Secretary to Government Punjab, Excise and Taxation department in April and June 2001. However, inspite of such efforts, no reply was received (July 2001).

## **6.3 Short realisation of entertainment duty**

The State Government notification of February 1995 provided that proprietor of the cable television network shall pay entertainment duty at the rate of Rs.50 per month per connection with effect from 6 March 1995. With the amendment (June 1999) of Punjab Entertainment Duty Act, 1955 entertainment duty of fifteen thousand rupees per annum was payable (with effect from 1 April 1999) by the proprietor providing entertainment with the aid of antenna or cable television to a connection holder.

During test check of records in the office of 13 AETC\*s, it was noticed (between June 1999 and December 2000) that against the recoverable entertainment duty of Rs.66.35 lakh from 347 cable T.V. operators only Rs.1.95 lakh was realised during the year 1998-99 and 1999-2000. This resulted in short realisation of entertainment duty of Rs.64.40 lakh.

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\* Amritsar-II, Faridkot, Ferozepur, Gurdaspur, Hoshiarpur, Jalandhar-I and II, Ludhiana I and III, Moga, Nawanshahar, Ropar and Sangrur.

The above matter was referred to the department (between July 1999 and January 2001) and Government in March 2000 and April 2001. The matter was followed up with reminders to Financial Commissioner (Taxation) and Secretary to Government Punjab, Excise and Taxation department in May and June 2001. However, inspite of such efforts, no reply was received (July 2001).

#### **6.4 Non-levy of entertainment duty on video parlours**

Under the Punjab Entertainment Duty Act, 1955 as amended in September 1994 the Government may, by notification, levy lump-sum entertainment duty at a rate not exceeding (a) eight thousand rupees per annum in the area of Municipal Corporation or of a municipality and (b) six thousand rupees per annum in areas other than the local areas specified in clause (a) in respect of entertainment arranged by a proprietor by replay of video tape, a video cassette or a video record through the medium of any video player, video cassette player or video record player.

During the course of audit of the Assistant Excise and Taxation Commissioners (AETC) Jalandhar-I and II, it was noticed (March and November 2000) that 16 video parlours owners were granted licence by the District Magistrate during 1998-99 and 1999-2000 for screening of video films. However, no entertainment duty was levied from the proprietors of these video parlours. This resulted in non-levy of entertainment duty of Rs.1.18 lakh.

On this being pointed out in audit (March & November 2000), the AETC Jalandhar-I stated (November 2000) that Rs.0.34 lakh have been recovered. Report on recovery of the balance amount has not been received from AETC Jalandhar-II (March 2001).

The above matter was referred to the department and Government in April 2001. The matter was followed up with reminders to Financial Commissioner (Taxation) and Secretary to Government Punjab, Excise and Taxation department in May and June 2001. However, inspite of such efforts, no reply was received (July 2001).

#### **6.5 Short realisation of entertainment tax.**

Under the Cinematograph Act, 1954, power to grant the licence to the cinema houses vests with the District Magistrate (Licencing Authority). Besides, the cinema owners are required to charge the rate of admission as fixed by the District Magistrate.

(i) With the introduction of lump-sum payment of entertainment tax with effect from June 1994 in the State, the District Magistrate of Amritsar revised rates of admission of cinema houses keeping in view the locality, type of cinema house under his jurisdiction. The revised rates were higher than those charged prior to the date of revision. During test check of records of the office of the Assistant Excise and Taxation Commissioner (AETC) Amritsar-I, it was

noticed (March 2000) that the rates of admission in respect of two cinema houses (Sangam and Tara) were not revised though the rates in the case of other cinemas falling in the same municipal area were revised in July 1994. Resultantly, these cinema houses continued to pay tax at the pre-revised rates during the period 1998-99, resulting in short collection of tax amounting to Rs.10.19 lakh.

On this being pointed out in audit (March 2000) it was stated (March 2000) that matter would be looked into. Further progress was awaited.

(ii) Further, test check of records of the office of the AETC Amritsar-II revealed (March 2000) that the entertainment tax in respect of seven \* cinema houses for the period 1998-99 was not computed correctly on the revised rates of admission to cinema houses which resulted in short realisation of entertainment tax amounting to Rs.30.89 lakh.

On this being pointed out in audit (March 2000) it was stated (March 2000) that matter would be looked into. Further progress was awaited.

The above matter was referred to the department (March and April 2000) and Government in April 2001. The matter was followed up with reminders to Financial Commissioner (Taxation) and Secretary to Government, Punjab, Excise and Taxation department in May and June 2001. However, inspite of such efforts, no reply was received (July 2001).

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\* Ann Aam, Adarsh, Chandan Palace, Krishna, New Rialto, Nishat and Raj.

**B: ELECTRICITY DUTY****6.6 Results of audit**

Test check of records relating to Chief Electrical Inspector Patiala, conducted in audit during the year 2000-2001, disclosed irregularities amounting to Rs.525.76 lakh in 4 cases which broadly falls under the following categories:

(In lakh of rupees)			
Sr. No	Category	Number of cases	Amount
1	Non recovery of Inspection fee	1	3.45
2	Loss of interest due to non deposit of electricity duty	1	105.48
3	Loss of revenue due to non carrying out periodical inspection of tubewells	1	50.10
4	Non levy of electricity duty on electricity supplied to other States	1	366.73
	<b>Total</b>	<b>4</b>	<b>525.76</b>

The department recovered Rs.0.06 lakh in one case pertaining to previous years. One case highlighting important irregularity noticed in audit involving financial effect of Rs.3.45 lakh is given in the following paragraph:

### **6.7 Non-recovery of inspection fee**

Under the Indian Electricity Rules, 1956, all electricity installations shall be periodically inspected and tested at intervals not exceeding five years by an authority as directed by the State Government on the payment of fees in advance, at the rates prescribed by the Government of Punjab vide notification (June 1990) for inspection and testing of medium, high and extra high voltage installations. Further, the State Government directed (April 1988) the Punjab State Electricity Board (PSEB) to get all the installations before their energisation and the replaced transformers, inspected from the Chief Electrical Inspector (CEI) for regular energy supply and safety of human as well as animal life.

During the course of audit of records of the office of the Chief Electrical Inspector, Punjab, Patiala and information obtains from PSEB, Patiala, it was noticed (November 2000) that 3453 damaged transformers were replaced by PSEB during the period from April 1999 to March 2000 without inspection from the CEI, as required. This resulted in loss of revenue by way of inspection fee amounting to Rs.3.45 lakh.

On this being pointed out in audit (November 2000) the Chief Electrical Inspector stated (February 2001) that the Board did not inform the department about the number of transformers damaged/replaced.

The above matter was referred to Government in April 2001. The matter was followed up with reminders to Principal Secretary to Government Punjab Irrigation and Power department in May and June 2001. However, inspite of such efforts, no reply was received (July 2001).