

Chapter V: Other Tax Receipts

5.1. Results of Audit

Test check of records relating to Electricity Duty, Entertainment Duty/Tax, Land Revenue and State Excise Duty conducted in audit during the year 2002-2003, disclosed irregularities amounting to Rs.185.40 crore in 207 cases which fall under the following categories:

(In crore of rupees)

Sr. No	Category	Number of cases	Amount
	Electricity Duty		
1	Collection of fee of electrical installations	1	3.35
2	Unauthorised retention of electricity duty	1	177.52
	Total	2	180.87
	Entertainment Duty		
1	Non realisation of entertainment duty from cable TV operators	161	0.24
2	Short recovery of entertainment duty/tax from cinema houses	19	0.42
	Total	180	0.66
	Land Revenue		
1	Short/non recovery of chowkidara tax	1	0.07
2	Short recovery of mutation fee	2	0.02
3	Other irregularities	5	0.28
	Total	8	0.37
	State Excise Duty		
1	Loss of excise duty due to sub-normal yield of spirit from molasses	2	3.37
2	Other irregularities	15	0.13
	Total	17	3.50
	Grand Total	207	185.40

During the year, the Department recovered Rs.0.02 crore in 8 cases pertaining to audit findings of earlier years.

A few illustrative cases highlighting important irregularities noticed in audit involving financial effect of Rs.184.77 crore are mentioned in the following paragraphs:

Electricity Duty

5.2. Unauthorised retention of electricity duty

Under the Punjab Electricity Duty Act, 1958 and Rules made thereunder, the electricity duty leviable on the energy supplied by the Punjab State Electricity Board (Board) shall be collected by the Board alongwith the bills for energy supplied to consumers and deposited with the Government by 20th of the following month. Any overdue payment shall be recovered as arrears of land revenue. Further, the Board shall submit to the Chief Electrical Inspector (CEI), Punjab, Patiala by the 20th of every month a statement in the prescribed form showing duty assessed, realised, deposited and balance retained/unrecovered.

During the course of audit of CEI, it was noticed that though the Board had been submitting the prescribed monthly returns regularly, it had unauthorisedly retained an amount of Rs.177.52 crore pertaining to the period March 1997 to March 2002 collected on account of electricity duty from consumers alongwith the bills for energy supplied. However, it is also worthwhile to mention that there is no provision in the Act/State Financial Rules for levy of interest on delayed payment/remittances.

The matter was brought to the notice of the Department and referred to the Government between October 2002 and June 2003. However, no reply was received (November 2003).

5.3. Collection of inspection fee of electrical installations

5.3.1 Introduction

Indian Electricity Act 1910, read with Indian Electricity Rules, 1956, authorise the Chief Electrical Inspector (CEI) to inspect and issue approval for commissioning of new high and extra high voltage installations and also to conduct periodical inspections of extra high tension/medium voltage installations on payment of inspection fee prescribed by the Government from time to time. Rules also authorise the CEI to levy fine which may extend to Rs.300 for the breach of rules for the first offence and at the rate of Rs.50 per day if the breach is continued.

During test check of records maintained in the office of the Chief Electrical Inspector (CEI) Patiala, following irregularities as a result of non-observance of provisions of the said Act and Rules were noticed.

5.3.2. Loss of revenue due to shortfall in periodical inspections

Under the Indian Electricity Rules, 1956, all existing electrical installations shall be periodically inspected and tested at intervals not exceeding five years, as directed by the State Government, on payment of fees in advance, at the rates prescribed by the Government from time to time. The purpose of such inspections is to check and verify as to whether the general safety precautions are being followed to safeguard human as well as animal life.

As per the annual statement of accounts of the Punjab State Electricity Board (PSEB) for the years 1999-2000 to 2001-2002, the total number of installations which were in operation during the respective years are shown in the table. Audit scrutiny revealed that there was huge shortfall in the number of statutory inspections during 1999-2000 to 2001-2002 as shown below:-

(In crore of rupees)

Electrical installation due for inspection once in	Description of installation	1999-2000		2000-01		2001-02		Total shortfall in inspections	Inspection fee recoverable
		Total Due for inspection	Inspected Shortfall	Total Due for inspection	Inspected Shortfall	Total Due for inspection	Inspected Shortfall		
5 years	Low voltage	<u>7,75,248</u> 1,64,353	<u>Nil</u> 1,64,353	<u>7,99,011</u> 1,76,487	<u>Nil</u> 1,76,487	<u>8,33,981</u> 1,87,694	<u>Nil</u> 1,87,694	<u>Nil</u> 5,28,534	1.06
3 years	Medium voltage	<u>3,66,385</u> 1,75,149	<u>47,698</u> 1,27,451	<u>4,45,488</u> 1,76,318	<u>45,378</u> 1,30,940	<u>4,59,287</u> 1,89,491	<u>53,723</u> 1,35,768	<u>Nil</u> 3,94,159	0.45
1 year	High and Extra high voltage	<u>2,529</u> 2,529	<u>1,401</u> 1,128	<u>2,928</u> 2,928	<u>1,649</u> 1,279	<u>3,196</u> 3,196	<u>1,647</u> 1,549	<u>Nil</u> 3,956	0.12
								Total	1.63

The shortfall in the prescribed number of inspections resulted in loss of revenue amounting to Rs.1.63 crore calculated at the rates fixed by the Government.

In reply to audit observations, the CEI stated in September 2002 that since service of inspection was not rendered, no fees was charged from the customers. As such, there was no loss of revenue. It was further stated that CEI had given priority to inspections of new installations and due to shortage of staff, the periodical inspections had fallen into arrears. The reply was not tenable as the periodical inspections were mandatory and there were only three vacancies of technical staff out of total sanctioned strength of 50 during these years. Moreover, no proposal for additional staff was mooted by the Department.

5.3.3. Loss of revenue due to non-conducting of inspection of new and replaced electrical installations

Indian Electricity Rules, 1956 provide that before granting permission to a person for commencing/recommencing supply or making additional/alteration, the supplier shall ensure that all the pre requisite conditions relating thereto

have been complied with. The supply of energy shall not be commenced by the supplier unless approved by the Inspector in writing. Rules further provide that any person, who commits a breach thereof, shall be punishable for every such breach with a fine of Rs.300.

A perusal of Management Information Reports (MIR) of PSEB and detail of inspections carried out by the CEI revealed that the approval of CEI was not obtained in 42,918 cases before energizing new transformers and replacing damaged transformers during the years from 1999-2000 to 2001-2002 as per table below:

(In crore of rupees)

Sr. No.	Nature of transformers installed	1999-2000	2000-2001	2001-2002	Total	Inspection fee	Non levy of penalty	Total
1.	New transformers installed as per record of PSEB	10,103	9,650	8,318	28,071	--	--	--
	Number of inspections carried out by the CEI	5,514	8,448	6,172	20,134	--	--	--
	Number of cases where approval before energizing was not obtained	4,589	1,202	2,146	7,937	0.08	0.24	0.32
2.	Damaged transformers replaced but approval before energizing was not obtained	--	17,743	17,238	34,981	0.35	1.05	1.40
	Total	4,589	18,945	19,384	42,918	0.43	1.29	1.72

Electrical installations energized without prior approval of CEI as envisaged in the rules resulted not only in loss of revenue of Rs.1.72 crore (calculated at the minimum rate of one hundred per transformer and penalty) but also increased the possibilities of occurrence of electrical accidents causing damage to human as well as animal lives.

The CEI stated in September 2002 that the inspections of only such installations were carried out for which the requisitions were received from the Board. The Board had concealed the facts relating to actual number of transformers installed/replaced. The reply of the CEI was not tenable as neither the PSEB appear to have sent adequate figure to the CEI nor the inspectorate had devised any mechanism to know the actual number of installations carried out by the Board or any other consumer so as to ensure that all the electrical installations installed during a year were inspected/tested.

5.3.4. Non-reconciliation of receipts with treasury records.

Under Punjab Financial Rules, each head of office is required to maintain a remittance book in which particulars of challans rendered by depositors in proof of payments on account of Government receipts are to be recorded. The figures noted in the books are to be reconciled with the treasury at the end of each month.

It was noticed that neither any account register showing details of remittance made by the consumers had been maintained nor the authenticity of the

challans submitted by the consumers on account of inspection fee during the years 1999-2000 to 2001-2002 got verified/reconciled with the records of the treasury as per codal requirements. Such omissions are likely to lead to frauds/embezzlements.

The CEI stated that it was not possible to reconcile the remittance with the treasury with the present staff strength. The reply was not tenable as there was neither shortage of staff nor any proposal for additional staff submitted to the Government.

The matter was brought to the notice of the Department and referred to the Government in October 2002; no reply was received (November 2003).

Entertainment Duty/Tax

5.4. Non-realisation of entertainment duty

Under the Punjab Entertainments 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.

During test check of records in the offices of four* Assistant Excise and Taxation Commissioners (AETCs), it was noticed that no records were maintained by AETCs to ascertain how many Cable TV Operators (CTVOs) were operating in their jurisdiction. However, as confirmed from Post and Telegraph (P&T) Department, 241 CTVOs were given licences in these districts. Entertainment duty was neither paid by the CTVOs nor demanded by the AETCs during the years 2000-2001 and 2001-2002. Failure on the part of the AETCs to maintain the records of CTVOs in consultation with the P&T Department and to demand the duty resulted in non-realisation of entertainment duty of Rs.36.90 lakh.

On this being pointed out in audit, AETC Bathinda and Ludhiana-I intimated in March 2003 that recovery of Rs.0.81 lakh had been made. AETC Ferozpur intimated in June 2003 that out of 9 CTVOs only 2 CTVOs were functioning during 2000-2001 and recovery from these operators had been made. AETC, Amritsar stated in April 2003 that all the CTVOs had merged with SITI cable and other networks and recovery of duty was being made from them. The reply was not tenable as all the operators were still registered with P&T Department.

The matter was brought to the notice of the Department and referred to Government in December 2002; no reply was received (November 2003).

* Amritsar-II, Bathinda, Ferozpur and Ludhiana-I.

5.5. Short collection of entertainment tax

Under the Punjab Entertainments Tax (Cinematograph Shows) Act, 1954 as amended in 1994, entertainment tax at the prescribed rates on the gross collection capacity per show in a cinema house was required to be paid to the State Government. The proprietor may, at his option and subject to such conditions as may be prescribed, pay entertainment tax to the State Government fortnightly.

During test check of records of the offices of AETCs, Faridkot and Bathinda for the years 2000-2001 and 2001-2002, it was noticed that owners of six* cinema houses had not paid entertainment tax for fortnights ranging from 7 to 26. Failure on the part of Department to raise the demands against the defaulters resulted in short collection of entertainment tax to the tune of Rs.10.21 lakh.

On this being pointed out, AETC, Bathinda intimated in March 2003 that a recovery of Rs.4.09 lakh had been made. AETC, Faridkot intimated in May 2003 that notice had been issued to the cinema owner to pay the tax.

The matter was brought to the notice of the Department and referred to the Government in January 2003; no reply was received (November 2003).

Land Revenue

5.6. Non deduction of departmental charges

The Punjab Land Revenue Act, 1927 and Rules made thereunder provide for deduction at the rate of 2 per cent as collection charges from the amount collected on behalf of banks, boards, local bodies and corporations, etc. as arrears of land revenue.

During test check of records of the offices of District Collectors, Gurdaspur and Fatehgarh Sahib, it was noticed that an amount of Rs.3.07 crore was recovered on behalf of banks, khadi and village industries board and a corporation as arrears of land revenue during the period October 1998 to September 2002 but collection charges amounting to Rs.6.14 lakh were not deducted from the amount recovered.

On this being pointed out, Collectors stated in June 2003 that instructions have been issued to recover the amount from the institutions concerned.

* Bathinda: Pukhraj, Krishna Talkies, Deep Palace (Rampura Phool), Sham Palace (Rama Mandi) and Urang palace. Faridkot: Gurmail palace (Kotkapura).

The matter was brought to the notice of the Department and referred to Government between November 2002 and January 2003; no reply was received (November 2003).

State Excise Duties

5.7. 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. The Public Accounts Committee (PAC) while discussing paragraph 4.2 of the Report of Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 1996-Government of Punjab, recommended in its 136th Report in March 2001 that immediate steps be taken to make the necessary amendment in the existing rules so that no undue advantage was taken by the distilleries.

During test-check of records of two* distilleries in Amritsar and Kapurthala districts, it was noticed that 245.87 lakh proof litres of spirit was produced during the year 2001-2002 from 7.33 lakh quintals of molasses as against the envisaged yield of 268.31 lakh proof litres of spirit. Had the norms for yield of spirit been achieved, the Government would have earned excise duty of Rs.3.37 crore on additional yield of 22.44 lakh proof litres of spirit.

On this being pointed out, the Department while accepting audit point of view, stated in June 2003 that action to amend the rules was being taken.

The matter was referred to the Government in April 2003; no reply was received (November 2003).

* M/s Khasa Distillery, Khasa (Amritsar) and M/s Jagatjit Industries Ltd., Hamira (Kapurthala).