

Section-B

Revenue Sector

Chapter I

General

Chapter 1

General

1.1 Trend of Revenue Receipts

1.1.1 The tax and non-tax revenue raised by the Government of West Bengal during the year 2018-19, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are detailed in **Table 1.1**.

Table 1.1: Trend of Revenue Receipts

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue raised by the State Government						
1.	(a) Tax revenue	39,411.98	42,492.08	45,466.46	52,720.57	60,732.28
	(b) Non-tax revenue	1,626.66	1,861.79	2,949.86	3,117.17	3,657.59
	Total	41,038.64	44,353.87	48,416.32	55,837.74	64,389.87
Receipts from the Government of India						
2.	(a) Share of net proceeds of divisible Union taxes and duties	24,594.93	37,163.93	44,625.16	49,321.10	55,775.72
	(b) Grants-in-aid	20,880.64	28,214.41	24,790.97	26,111.55	25,809.66
	Total	45,475.57	65,378.34	69,416.13	75,432.65	81,585.38
3.	Total revenue receipts of the State Government (1 and 2)	86,514.21	1,09,732.21	1,17,832.45	1,31,270.39	1,45,975.25
4.	Percentage of 1 to 3	47	40	41	43	44

During the year 2018-19, the total revenue raised by the State Government (₹ 64,389.87 crore) was 44 *per cent* of the total revenue receipts. The remaining 56 *per cent* came from the Government of India.

1.1.2 The details of the tax revenue raised during the period 2014-15 to 2018-19 are given in **Table 1.2**.

Table 1.2: Details of tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in 2018-19 over 2017-18
		Actual	Actual	Actual	Actual	Actual	
1.	State Goods and Services Tax (SGST)	-	-	-	14,963.74	27,067.20	(+)80.89
2.	Taxes on sales, trade etc.	24,021.91	26,050.16	27,982.69	12,999.34	7,813.03	(-)39.90
3.	Stamp duty and registration fees	4,196.20	4,174.97	4,382.73	5,260.77	5,620.01	(+)6.83
4.	State excise	3,587.02	4,015.12	5,226.16	9,340.05	10,622.45	(+)13.73
5.	Land revenue	2,275.74	2,456.27	2,568.66	2,874.51	2,846.82	(-)0.96
6.	Taxes and duties on electricity	1,946.83	2,091.63	1,318.87	2,333.55	2,675.41	(+)14.65
7.	Taxes on vehicles	1,504.68	1,707.02	1,869.86	2,317.23	2,562.58	(+)10.59
8.	Others ¹¹⁰	1,879.60	1,996.91	2,117.49	2,631.38	1,524.78	(-)42.05
	Total	39,411.98	42,492.08	45,466.46	52,720.57	60,732.28	(+)15.20

(Source: Finance Accounts and Budget Publications of the Government of West Bengal)

¹¹⁰ Other tax receipts include Profession Tax, Entry Tax, Entertainment tax, Betting tax etc.

Reasons for variation of actuals of tax revenue in 2018-19 over 2017-18 were not furnished by the Departments concerned, though sought for (June 2019) followed by reminders.

The details of the non-tax revenue raised during the period 2014-15 to 2018-19 are given in **Table 1.3**.

Table 1.3: Details of non-tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in 2018-19 over 2017-18
		Actual	Actual	Actual	Actual	Actual	Actual
1.	Interest Receipts	277.46	334.94	1,201.24	1,395.68	806.02	(-) 42.25
2.	Miscellaneous General Services	185.79	180.24	182.66	131.57	1,293.28	(+) 882.96
3.	Non-ferrous Mining and Metallurgical Industries	46.31	292.17	399.68	422.19	326.48	(-) 22.67
4.	Other Administrative Services	50.60	170.58	210.35	133.95	134.38	(+) 0.32
5.	Education, Sports, Art and Culture	53.32	58.00	176.63	68.31	62.51	(-) 8.49
6.	Forestry and Wild life	135.73	134.86	126.48	93.74	88.28	(-) 5.82
7.	Police	126.61	104.38	143.68	187.10	254.48	(+) 36.01
8.	Medical and Public Health	103.29	112.45	134.77	210.48	261.80	(+) 24.38
9.	Roads and Bridges	34.93	82.55	104.92	124.43	74.48	(-) 40.14
10.	Other non-tax receipts ¹¹¹	612.62	391.62	269.43	349.72	355.88	(+) 1.76
Total		1,626.66	1,861.79	2,949.84	3,117.17	3,657.59	(+) 17.34

(Source: Finance Accounts and Budget Publications of the Government of West Bengal)

Reasons for variation of actuals of non-tax revenue in 2018-19 over 2017-18 were not furnished by the Departments concerned, though sought for (June 2019), followed by reminders.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 in respect of some principal heads of revenue amounted to ₹ 82.17 crore, of which ₹ 1.39 crore was outstanding for more than five years, as detailed in the **Table-1.4**.

¹¹¹ Other non-tax receipts include "Dividend and profits", "Dairy Development", "Other General Economic Services", "Public Works", "Food storage and Warehousing", "Labour and Employment", "Urban Development", "Public Service Commission", "Minor Irrigation", "Civil Supplies", "Housing" etc.

Table 1.4: Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Remarks
1.	Taxes and Duties on Electricity	82.17	1.39	0.46	0.24	The arrears of revenue outstanding as on 31 March 2018 was stated to be ₹ 0.46 crore, of which ₹ 0.24 crore was outstanding for more than five years. The arrears of revenue as on 31 March 2019 was, however, stated to be ₹ 82.17 crore in 367 cases, of which ₹ 1.39 crore in 269 cases was outstanding for more than five years, showing wide variation in figures of arrears in two years. The reasons for huge increase in arrears of revenue in 2018-19 over that of 2017-18 was sought for from the Department; reply was awaited (February 2021).
2.	Taxes on sales, trade etc.	Not furnished	Not furnished	Not furnished	Not furnished	The Directorate of Commercial Taxes, stated in their reply that there were various sections/ units from which demands were generated, and there was no centralised database reflecting consolidated demands. Therefore, a correct estimation of arrears of revenue was not possible.
3.	State Excise	Not furnished	Not furnished	63.45	45.52	The Directorate did not furnish the figures of arrears of revenue for 2018-19 though requested (June 2019) and followed by reminders.
4.	Stamp duty and registration fees	The concerned Departments/ Directorates have not furnished the figures of arrears of revenue for either 2017-18 or 2018-19, though requested (June 2019) and followed by reminders.				
5.	Land revenue					
6.	Taxes on vehicles					
Total		82.17	1.39	63.91	45.76	

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year and analysis of arrears of assessments with previous year 2017-18, as furnished by the Directorate of Commercial Taxes (DCT) is given in **Table 1.5**.

Table 1.5: Arrears in assessments

(₹ in crore)

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Assessments due	Cases disposed of during the year	Balance at the end of the year	Percentage of disposal (col. 5 to 4)	Analysis of arrears in assessments
(1)		(2)	(3)	(4)	(5)	(6)	(7)	
Taxes on sales, trade etc.	2018-19	NA	60,141	60,141	60,141	Nil	100	As per information furnished in respect of arrears in assessment for the year 2017-18, the closing balance of arrears in assessment of VAT and CST at the end of the year stood at four and five, respectively. The opening balance in respect of arrears of assessment for the period 2018-19 was, however, not furnished. Further, the cases due for assessment during the year 2018-19 were stated to be 60,141, all of which were stated to have been disposed of. The reasons for huge increase in arrears of assessments in 2018-19 over that of 2017-18 was sought for from the Department, the reply was awaited (February 2021).
	2017-18	Not furnished	VAT-16,770 CST-7,637	Not furnished	VAT-16,766 CST-7,632	Not furnished	--	
Taxes and duties on Electricity	2018-19	305	133	438	97	341	22.15	The closing balance as on 31 March 2018 was stated to be nil, whereas opening balance for the year 2018-19 was shown as 305, indicating discrepancies in balances of figures furnished. Reasons for the discrepancies in figures of arrears of assessment in 2018-19 over that of 2017-18 was sought for from the Department, the reply was awaited (February 2021).
	2017-18	Nil	56	56	56	Nil	100	

Other principal revenue generating Departments/ Directorates namely, Directorate of Registration and Stamp Revenue (DRSR), Land and Land Reforms and Refugee Relief and Rehabilitation (L&LR and RR&R) Department and Transport Department did not furnish any information on arrears in assessments (December 2020) though requested (June 2019) and followed by reminders.

1.4 Evasion of tax detected by the Department

As per reply furnished by the Directorate of Commercial Taxes in respect of taxes on sales, trade etc., investigation was completed in 617 cases of

evasion involving ₹ 305.19 crore, out of 1,352 cases detected during 2018-19. In respect of Electricity Duty, there were no cases of evasion pending as on 31 March 2019.

Other principal revenue generating Departments/ Directorates namely DRSR, L&LR and RR&R Department and Transport Department did not furnish any information on evasion of tax (December 2020) though requested (June 2019) and followed by reminders.

1.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2018-19 and 2017-18, as reported by the Directorate of Commercial Taxes, are given in **Table 1.6**.

Table 1.6: Details of pendency of refund cases

(₹ in crore)

Sl. No.	Head of revenue	Year	Claims outstanding at the beginning of the year		Claims received during the year		Refunds made during the year		Balance outstanding at the end of the year	
			No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Taxes on sales, trade etc.*	Refund under the Value Added Tax Act								
		2018-19	469	Not furnished	1,266	414.56	1,678	312.69	57	Not furnished
		2017-18	422	Not furnished	601	152.24	1,004	97.53	19	Not furnished
		Refund under the Goods and Services Tax Act								
		2018-19	Nil	Nil	864	196.26	514	112.76	350	NA
	2017-18	Not furnished								
2.	Taxes and duties on Electricity	2018-19	85	NA	99	NA	86	30.60	98	NA
		2017-18	Not furnished							

* The closing balance of refund cases pending disposal as on 31 March 2018 was 19, whereas opening balance of refund cases pending disposal for the year 2018-19 was 469, indicating discrepancies in balance of figures furnished. However, reply for the discrepancies in figures of pendency of refund cases in 2018-19 over that of 2017-18 as sought for from the Department was awaited (February 2021).

Other principal revenue generating Departments/ Directorates namely DRSR, L&LR and RR&R Department and Transport Department did not furnish any information on pendency of refund cases (December 2020) though requested (June 2019) and followed by reminders.

1.6 Response of the Government/ Departments towards audit

1.6.1 Pendency of Inspection Reports

The Principal Accountant General (Economic & Revenue Sector Audit), now Principal Accountant General (Audit II), West Bengal, conducted periodical inspection of the Government Departments to test check transactions and verify maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections were followed up with inspection reports

(IRs) incorporating irregularities detected during inspection and not settled on the spot, which were issued to the heads of the offices inspected, with copies to the next higher authorities, for taking prompt corrective action. The heads of the offices/ Government were required to comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the Principal Accountant General (PAG) within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of Departments/ Government.

Inspection reports issued upto December 2018 disclosed that 5,811 paragraphs involving ₹ 3,109.65 crore relating to 1,059 IRs remained outstanding at the end of June 2019, as mentioned along with the corresponding figures for the preceding two years in **Table 1.7**.

Table 1.7: Details of pending Inspection Reports

	June 2017	June 2018	June 2019
Number of IRs pending for settlement	945	970	1,059
Number of outstanding audit observations	5,239	4,958	5,811
Amount of revenue involved (₹ in crore)	3,092.90	2,459.78	3,109.65
Number of paras cleared during the year	1,318	1,569	1,023

The Department-wise details of the IRs and audit observations issued upto December 2018, outstanding as on 30 June 2019 and the corresponding amounts involved are mentioned in **Table 1.8**.

Table 1.8: Department wise details of IRs

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved	Pending since
1.	Finance	Sales Taxes/ VAT	267	2,121	1,177.11	2008-09
		Electricity duty	31	95	396.52	2008-09
		Amusement Tax	17	55	31.83	2013-14
		Profession Tax	101	320	12.99	2006-07
		Stamp duty and registration fees	325	804	83.06	2009-10
		Non-judicial Stamp duty	28	72	8.56	2010-11
		Departmental Receipts	2	4	59.43	2011-12
		State Excise	40	198	20.33	2009-10
2.	Land and Land Reforms	Land Revenue	91	1,088	473.67	1984-85
		Receipts from mines and minerals	103	748	251.09	2007-08
3.	Transport	Taxes on motor vehicles	54	306	595.06	2008-09
Total			1,059	5,811	3,109.65	

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of 380 IRs issued during 2018-19. The large pendency of IRs due to non-receipt of the replies is indicative of the fact that

the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by audit in the IRs.

1.6.2 Departmental Audit Committee Meetings

The Government sets up audit committees to monitor and expedite the progress of the settlement of IRs and paragraphs. Only one Audit Committee meeting relating to the L&LR and RR&R Department was held in 2018-19 in which 33 paras amounting to ₹ 4.77 crore were settled. Despite holding Departmental Audit Committee Meeting, the progress of settlement of paragraphs pertaining to L&LR and RR&R Department, was insignificant as compared to the huge pendency of the IRs and paragraphs in the IRs as detailed in the **paragraph 1.6.1**.

In respect of commercial tax and motor vehicles tax, bilateral meetings were held in which 263 paragraphs involving ₹ 131.01 crore were settled.

However, no such Departmental Audit Committee Meetings/ bilateral meetings were held in respect of Electricity Duty, Amusement Tax, Profession Tax, Stamp Duty and Registration Fees, Non-judicial Stamp Duty, Departmental Receipts and State Excise during 2018-19.

1.6.3 Constraints in Audit

Non-availability of data and information has been a regular constraint in audit. In February 2018, the Commissioner of Commercial Taxes, West Bengal was requested to fix a convenient date on which the Data Transmission, Use and Storage Protocol (DTUSP) could be signed by the audit and DCT for facilitating the regular data flow of GST. Further, the Directorate was also requested, in November 2018, to arrange “creation of role for audit” with a facility to view the entire data/ information and collect audit evidence for the audit teams during their visit in the Charge Offices. Despite pursuance, response in this regard is still awaited (Decemembr 2020).

During 2018-19, nine units under the DCT did not provide 1,535 assessment case records for Value Added Tax. One unit did not produce the store/ stock register.

Following information sought for Audit Report 2018-19, was not made available: (i) Reasons for variation in respect of principal heads of tax and non-tax revenue were not furnished by the Departments concerned, though sought for (June 2019), followed by reminders (ii) information in respect of arrears of revenue, arrears in assessments, evasion of tax detected by the Department, pendency of refund cases were not furnished by the Departatments concerned, except Directorate of Commercial Taxes, though sought for (June 2019), followed by reminders (iii) information in respect of functioning of internal audit wing, though sought for (August 2019) and followed by reminders, was not furnished by the Transport Department, DRSR and Excise Directorate (December 2020).

1.6.4 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the PAG/AG to the Additional Chief Secretary/ Principal Secretaries/ Secretaries of the concerned

Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of receipt/ non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Thirty draft paragraphs (DPs) were sent to the Additional Chief Secretary/ Principal Secretaries/Secretaries of the respective Departments by name between February and September 2020. However, the Government concerned did not send replies despite reminders, except for two draft paragraphs relating to 'Mines and Minerals'. As such, these DPs have been included in this Report without response of the Government. Replies of the heads of the audited units, wherever furnished, have been taken into account.

1.6.5 Follow up on the Audit Reports-summarised position

The internal working system of the Public Accounts Committee (PAC), notified in December 2002, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, explanatory notes of action taken on audit paragraphs of the Reports were delayed inordinately. 150 paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of West Bengal for the years ended 31 March 2013, 2014, 2015, 2016 and 2017 were placed before the State Legislative Assembly between 10 July 2014 and 11 July 2019. The action taken explanatory notes from the concerned Departments on 10 sub-paragraphs/ paragraphs were received with average delay of 27 months in respect of Audit Reports for the years ended 31 March 2013, 2014, 2015, 2016 and 2017. Action taken explanatory notes in respect of remaining paragraphs from four departments (Finance Department, Department of Industry, Commerce and Enterprises, L&LR and RR&R Department and Transport Department) had not been received for the Audit Reports for the years ended 31 March 2013, 2014, 2015, 2016 and 2017 so far (December 2020).

During 2018-19, the Public Accounts Committee discussed two selected paragraphs of the Audit Report for the year 2006-07 and one selected paragraph of the Audit Report for the year 2009-10 in July 2018 and February 2019, respectively.

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the IRs/ Audit Reports by the Departments/ Government, action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 and 1.7.2 discuss the performance of the DRSR and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2009-10 to 2018-19.

1.7.1 Position of Inspection Reports

The summarised position of the inspection reports issued to the DRSR during the last 10 years, paragraphs included in these reports and their status as on 31 March 2019 are tabulated in **Table 1.9**.

Table 1.9: Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance during the year		
		No. of IRs	No. of Paragraphs	Money value	No. of IRs	No. of Paragraphs	Money value	No. of IRs	No. of Paragraphs	Money value	No. of IRs	No. of Paragraphs	Money value
1.	2009-10	580	802	82.29	37	48	4.54	328	416	33.20	289	434	53.63
2.	2010-11	289	434	53.63	37	84	24.09	38	56	4.12	288	462	73.60
3.	2011-12	288	462	73.60	65	205	37.94	30	43	3.97	323	624	107.57
4.	2012-13	323	624	107.57	56	257	10.57	171	294	43.98	208	587	74.16
5.	2013-14	208	587	74.16	66	246	21.25	9	56	2.26	265	777	93.15
6.	2014-15	265	777	93.15	54	237	76.51	64	271	29.21	255	743	140.45
7.	2015-16	255	743	140.45	54	180	91.42	10	55	14.70	299	868	217.17
8.	2016-17	299	868	217.17	54	175	18.07	65	330	104.14	288	713	131.10
9.	2017-18	288	713	131.10	53	246	85.81	23	112	68.78	318	847	148.13
10.	2018-19	318	847	148.13	53	216	7.89	21	79	2.02	350	984	154.00

Though Audit Committee Meetings are organised between the Department and Audit to settle old paragraphs, it would be evident from the above table, that settlement of paras was not significant. This is primarily because the Department does not provide replies/ follow-up action for settlement of outstanding paragraphs contained in the IRs.

1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table 1.10**.

Table 1.10: Recovery of accepted cases

(₹ in crore)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount of recovery of accepted cases
2008-09	3	52.30	2	50.54	Nil
2009-10	1	1.84	1	1.54	0.20
2010-11	1	5.23	1	5.23	0.99
2011-12	3	3.33	3	3.33	0.92
2012-13	1	154.10	1	106.93	Nil
2013-14	5	4.16	3	1.04	Nil
2014-15	4	15.13	1	2.50	Nil
2015-16	2	16.68	1	0.23	Nil
2016-17	6	50.57	6	49.61	Nil
2017-18	1	212.02	1	2.01	Nil
Total	27	515.36	20	222.96	2.11

It is evident from the above table that the recovery even in accepted cases was meagre 0.95 per cent. The Department did not take prompt action to recover the dues even in accepted cases.

1.8 Action taken on the recommendations accepted by the Department/ Government

The draft Performance Audits (PAs) conducted by the PAG/ AG are forwarded to the concerned Department/ Government for their information with a request to furnish replies to audit observations included in the draft report. These PAs are also discussed in an Exit Conference and the Department's/ Government's views are included in the Audit Reports.

The status of action taken on recommendations featured in eight PAs of last five years as per reports furnished by the Departments till December 2020 is given in *Appendix-6*.

1.9 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. Annual Audit Plan is prepared on risk analysis which includes critical issues in government revenues and tax administration, i.e., Budget Speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, issues related to the tax administration, the extent of audit coverage and its impact during past five years *etc.*

During the year 2018-19, there were 571 auditable units, of which 174 units were planned and audited, which was 30.47 *per cent* of the total auditable units. The details are in *Appendix-7*.

1.10 Results of audit

1.10.1 Position of local audit conducted during the year

Test check of the records of 174 units related to Sales Tax/ Value Added Tax, State Excise, Motor Vehicles Tax, Land and Land Reforms, Stamp Duty and Registration Fees and other Departmental offices conducted during the year 2018-19 showed under assessment/ short levy/ loss of revenue aggregating ₹ 560.74 crore in 1,871 cases. During the course of the year, the Departments concerned accepted under-assessment and other deficiencies of ₹ 171.54 crore involved in 1,072 cases pointed out in audit during 2018-19. The Departments collected ₹ 9.67 crore in 233 cases during 2018-19 based on findings of local audit.

1.11 Coverage of this Report

This Report contains 30 paragraphs (selected from the audit observations made during the local audit referred to above and during earlier years, which could not be included in earlier reports) involving financial effect of ₹ 898.71 crore. The Government accepted audit observations involving ₹ 153.17 crore of which ₹ 6.54 crore had been recovered. No replies/ specific replies had been furnished in respect of remaining cases (December 2020). These are discussed in succeeding Chapters II to VII.