

## CHAPTER - VIII ELECTRICITY DUTY

### 8.1 Results of Audit

Test check of the records of eight<sup>1</sup> units relating to Electricity Duty revealed non/ short realisation and loss of revenue of electricity duty, fees and cess and other irregularities involving ₹ 562.60. crore in one case as under:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1	<b>Levy and collection of electricity duty fees and cess (A Review).</b>	1	562.60
	<b>Total</b>	1	562.60

After issuance of inspection reports, the Energy Department recovered ₹ 16.03 lakh in full in one case during the year 2009-10.

A review of "**Levy and collection of electricity duty, fees and cess**" involving money value ₹ 562.60 crore is mentioned in the following paragraphs.

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<sup>1</sup> As per audit plan for the year 2009-10, ten units were planned for the year out of which eight units were audited which comprised of 22 divisions and sub-divisions.

## **8.2 Levy and collection of electricity duty, fees and cess**

### **Highlights**

Blocking of revenue due to irregular retention of Government money by DISCOMs ₹ 997.39 crore.

**(Paragraph 8.2.8.1)**

Inaction of the department resulted in non-levy of electricity duty of ₹ 3.73 crore.

**(Paragraph 8.2.8.2)**

Absence of provision for submission of check list to verify the electrical consumption resulted in short realisation of duty of ₹ 10.97 crore.

**(Paragraph 8.2.9)**

Absence of any time limit for periodical assessment of dutiable and non-dutiable consumption resulted in non-levy of duty and cess of ₹ 6.92 crore.

**(Paragraph 8.2.11)**

Lack of provision for security deposit resulted in non-levy of duty of ₹ 3.15 crore

**(Paragraph 8.2.12)**

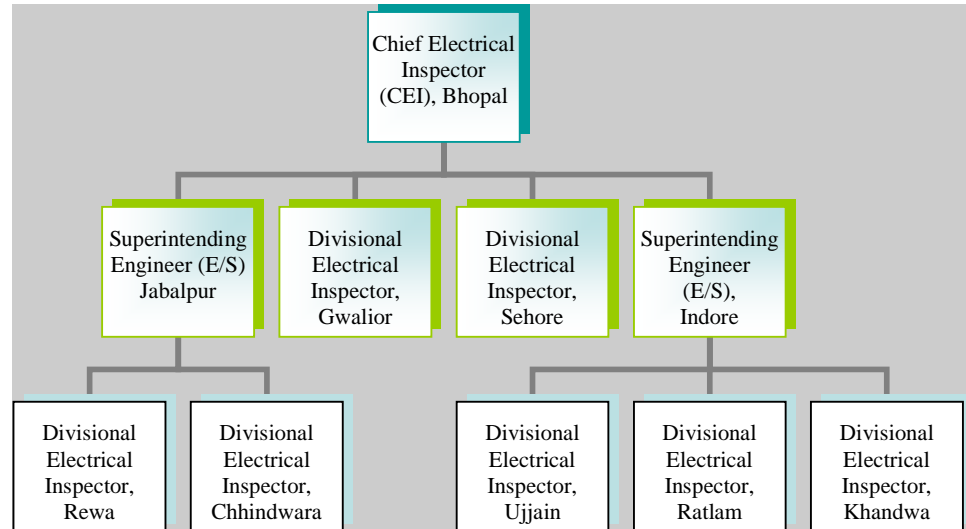
### **8.2.1 Introduction**

There are three major components of receipts of the energy department in Madhya Pradesh (MP) viz: electricity duty, energy development cess and inspection fees. Electricity duty (ED) is regulated under the Madhya Pradesh Electricity duty (MPED) Act 1949 and the Rules framed thereunder. Every distributor and producer of electrical energy shall pay every month to the State Government, at the prescribed time and in the prescribed manner, a duty, calculated at the specified rate, on the units of electrical energy sold or supplied to a consumer or consumed by himself for his own purposes during the preceding month.

Under the MPED Act, the distributor of electrical energy i.e. State Electricity Board shall deposit the duty in the Government account for the energy sold or supplied. Units which generate electrical energy for their own consumption i.e. captive power plants, are also required to deposit ED directly into the Government account provided the capacity of generation is more than 10 KW. The amount of duty due and remaining unpaid shall carry interest at such rate and in such circumstances as may be prescribed and shall be collected as arrears of land revenue. Every distributor and producer of electrical energy shall submit to the Electrical Inspector (EI) along with the treasury receipt, a monthly return in Form "G". Energy development cess is also leviable on sale or consumption of electrical energy under Madhya Pradesh *Upkar Adhiniyam* 1981. Further, fee for inspection of the electrical installation is levied and collected under the Indian Electricity Act 1910 (amended in 2003) and Indian Electricity Rules 1956. The receipts of the department are deposited under the Major Head "0043-Taxes and duties on electricity".

We conducted a review of levy and collection of electricity duty, inspection fees and cess in MP which revealed a number of system and compliance deficiencies. These are mentioned in the succeeding paragraphs.

### 8.2.2 Organisational set up



The organisation is headed by the Chief Electrical Inspector (CEI) while the Secretary of the energy department is the head at the Government level. The CEI is assisted by two Superintending Engineers (SE Electrical/Safety), seven Divisional Electrical Inspectors (DEI, E/S) at the district level and 34 Assistant Electrical Inspectors at the sub divisional level for conducting inspection of electrical installations. They are responsible for ensuring correctness of the levy and collection of duty, cess and inspection fees in respect of captive and non-captive consumers of electricity and electrical installations respectively.

### 8.2.3 Scope of Audit

We examined the records of 22 out of a total of 44 units of CEI/DEI/SE/AE for the last five years (2005-06 to 2009-10) between September 2009 and February 2010 and information was collected upto August 2010. The units were selected on the basis of simple random sampling method. During the course of the review, we also collected information from the Distribution Companies (DISCOMs) as well as other departments/bodies for cross verification with the records maintained by the CEI.

### 8.2.4 Audit objectives

The review was conducted with a view to:

- assess the efficiency and effectiveness of the system of the levy and collection of ED, fee and cess;
- ascertain whether statutory inspection of the electrical installations was being carried out and fees for such inspection was realised on time; and
- assess whether an adequate internal control mechanism existed to ensure proper realisation of duty, fee, interest and cess.

### 8.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Energy Department for providing information and records to audit. An entry conference to discuss the audit objectives and scope of audit was held in April 2010 in which the Additional Secretary of the department along with the representative of the CEI together with the Accounts Officer was present. The exit conference was held in September 2010 in which the Secretary, Energy Department together with the CEI participated. Reply of the Government has not been received (December 2010).

### 8.2.6 Trend of revenue

The Budget Manual provides that the estimates should take into account only such receipts as the estimating officer expects to be actually realised or made during the budget year. The Budget Manual clearly states that if the test of accuracy is to be satisfied, not merely should all items that could have been foreseen be provided for, but also only so much, and no more should be provided for as is necessary.

The trend of revenue of Electricity Duty Receipts during last five years ending 31 March 2010 is as under:

(₹ in crore)

Year	Revised estimates (RE)	Actual receipts (As per Departmental Figures)	Actual receipts (As per Finance Accounts)	Percentage increase (+)/ decrease (-) over B Es (Finance Accounts)
2005-06	843.42	842.21	842.27	(-) 0.14
2006-07	763.36	892.15	714.55	(-) 6.39
2007-08	832.00	943.73	626.08	(-) 24.75
2008-09	900.00	926.37	343.06	(-) 61.88
2009-10	2464.40	973.80	2,146.49	(-) 12.90

**Source:** As furnished by the Department and Finance Accounts of Government of Madhya Pradesh for the years 2005-06 to 2009-10.

The variation between revised estimates and actual receipts ranged between (-) 0.14 and (-) 61.88 per cent.

The figures of actual receipts furnished by the department are at variance with the Finance Account figures. We observed that the arrears pending with the Distribution Companies have been shown as actual receipts by the department whereas such amount has not been credited in the Government account under the Major Head 0043 during the year 2007-08 and 2008-09. The CEI stated that the receipts during 2009-10 included the revenue realised in previous years but adjusted in the current year.

**Contribution of receipts from taxes and duties on  
Electricity to total tax revenue**

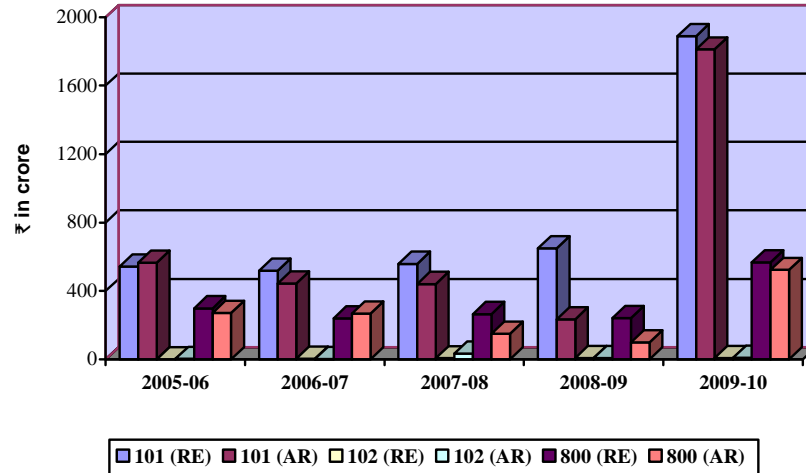
(*₹ in crore*)

Year	Total tax revenue	Taxes and duties on Electricity	Percentage contribution of (3) to (2)
(1)	(2)	(3)	(4)
2005-06	9,114.70	842.27	9.24
2006-07	10,473.13	714.55	6.82
2007-08	12,017.64	626.08	5.21
2008-09	13,613.50	343.06	2.52
2009-10	17,272.77	2,146.49	12.43

**Source:** Finance Accounts of Government of Madhya Pradesh for the years 2005-06 to 2009-10.

The percentage contribution of the receipts under Electricity Duty, fee and cess to the total tax receipts in the State registered a sharp increase during 2009-10. This was due to the adjustment of the receipts of the last two years during 2009-10.

**Minor head wise analysis of receipts under Major  
Head 0043 during the last five years**



Minor head 101 comprises of tax on consumption and sale of electricity, 102 includes fees under the Indian Electricity Rules and 800 covers energy development cess. These three minor heads constituted an average of 99 *per cent* of the total receipts under MH 0043 during the last five years.

We observed that the actual receipts under minor head 101 registered a shortfall as compared to the estimates in three years (2006-07, 2007-08 and 2008-09) while it showed a sharp increase in 2009-10 as compared to the estimates. Receipts under inspection fees (minor head 102) registered an increase in four years as compared to the estimates while receipts under energy cess showed an inconsistent trend.

## Audit findings

### System deficiencies

#### 8.2.7 Position of arrears

Under the MPED Act, amount of duty due and remaining unpaid shall be recovered as arrear of land revenue.

The position of outstanding revenue relating to captive power plants including the ED, fee and cess during the last five years ending 31<sup>st</sup> March 2010 is

given below:

(₹ in crore)

Year	Opening balance	Receipts during the year	Balances at the end of the year	Arrears more than five years old
2005-06	27.97	2.71	25.26	15.34
2006-07	32.85	6.18	26.67	11.07
2007-08	26.67	5.85	20.82	5.90
2008-09	20.82	1.10	19.72	13.86
2009-10	19.72	1.71	25.54	14.34

We observed that the receipts during the year as compared to the outstanding arrears varied between 5.58 per cent and 28.09 per cent during the last five years. An amount of ₹ 25.54 crore was outstanding as arrears as on March 2010 of which ₹ 14.34 crore was outstanding for more than five years. When we enquired whether any demand was raised to recover the arrears during the last five years, the CEI stated that demand notices were issued but he could not furnish the year wise figures. We also noticed that though no demand notices were issued during the year 2005-06, yet the increase of ₹ 7.59 crore was shown in the opening balance (OB) of arrears in 2006-07. The CEI accepted (May 2010) that it was a mistake. The CEI also accepted that there was no time bound action plan for recovery of the arrears. **The Act does not provide any time limit to report the arrear cases to the revenue department nor does it vest the departmental officers with the power of Tahsildars to facilitate expeditious recovery of arrears.**

**The Government may consider prescribing a periodic return by the EIs to the CEI/Government on position of arrears.**

**The Government may also consider either prescribing the time limit for reporting the arrear cases to the revenue department or vest the departmental officers with the powers of Tahsildars to facilitate expeditious recovery of arrears.**

### 8.2.8 Submission and monitoring of returns

Every distributor of electrical energy and every producer shall submit to the EI (i) monthly return in Form 'G' with the treasury receipt which contains amount of duty with leviable and non-leviable consumption and (ii) annual return in Form 'K' containing information of duty payable, duty paid and balance with interest paid for each financial year. As per Madhya Pradesh Treasury Code (MPTC) money collected on behalf of the Government shall be remitted in Government account without delay.

**We observed that no monitoring mechanism existed in the department to ensure that monthly/annual returns are submitted in time and in the prescribed format. Further, there is no periodical return prescribed from the CEI to the Government regarding duty payable, paid and balance to be deposited.** Some instances of loss of revenue due to

deficient monitoring of returns are illustrated below.

#### 8.2.8.1 Irregular retention of Government money by the DISCOMs due to delayed/non-remittance of electricity duty

Three DISCOMs<sup>2</sup>

Every distributor of electrical energy and every producer shall pay every month to the State Government, at the prescribed time and in the prescribed manner, a duty calculated at the specified rate on the units of electrical energy sold or supplied to a consumer or consumed by himself for his own purposes during the preceding month.

We observed from the records of the CEI that the annual returns in form 'K' were not submitted by the DISCOMs while monthly return in form 'G' were not submitted in the prescribed format. In the absence of these records the CEI is not in a position to assess the duty payable, paid and

balance at the end of each year. We observed that the electricity duty and cess collected by the DISCOMs were not deposited timely in the Government account. When we requested for the information (July 2010), the CEI did not provide the required information regarding the payment/adjustment of duty and cess collected by the DISCOMs in 2005-06 and 2006-07. However, from the information collected from DISCOMs, we observed that electricity duty and cess of ₹ 2,176.02 crore was collected by the DISCOMs from 2007-08 to 2009-10 and of this ₹ 1,631.60 crore was deposited in the Government account after a delay ranging between 12 and 36 months. As a result, this amount remained outside the Government account for that period. Due to this irregular retention, the DISCOMs are also liable for payment

<sup>2</sup> Madhya Kshetra Vidhuyt Vitaran Co., Paschim Kshetra Vidhuyt Vitaran Co. and Poorva Kshetra Vidhuyt Vitaran Co.

of interest of ₹ 452.97 crore up to March 2010 calculated at the prescribed rate<sup>3</sup>. Besides blocking Government money, this also led to incorrect budget estimates for revenues of electricity duty/cess.

When this was pointed out by us, the CEI stated (April 2010) that ₹ 1,631.60 crore including duty, cess and interest has been adjusted in March 2010. Adjustment of the remaining amount (₹ 997.39 crore) had not been done (December 2010).

### 8.2.8.2 Non levy/recovery of electricity duty

No exemption from payment of duty is available to public sector undertakings, boards, corporations and other autonomous bodies such as airport authorities, *Doordarshan*, *Akashwani* and *Bharat Sanchar Nigam Limited*.

We observed in the offices of SE (E/S), Jabalpur and Indore that three consumers of airport authorities, twelve consumers of *Doordarshan* and *Akashwani* and twenty eight consumers of *Bharat Sanchar Nigam Limited* paid electricity duty to the DISCOMs on the electricity

consumed through High Tension/Low Tension connection but did not pay electricity duty nor did they submit the prescribed return in Form "G" against their captive consumption to the DEI offices. The department however, did not initiate any action to ensure the recoveries of the dues and timely submission of returns by the consumers. This resulted in non-levy of ED of ₹ 3.73 crore.

When we pointed this out, the CEI stated (June 2010) that the cases would be examined by the concerned offices and action would be taken.

### 8.2.8.3 Short-levy of duty due to application of incorrect rate

MPED Act provides for eight *per cent* rate of duty on consumption of electricity for industrial purposes while duty at the rate of 15 *per cent* is leviable for non-industrial purpose.

We observed in the offices of the SE (E/S), Jabalpur and Indore that in respect of five consumers, duty was levied at the rate of eight *per cent* applicable for industrial activities, against the leviable duty at the rate of

15 *per cent* for commercial i.e. non-industrial activities. Application of duty at reduced rate resulted in short levy of duty of ₹ 16.62 lakh as detailed below:

(₹ in lakh)

Sl. No.	Consumer	Period	Contract demand (KVA)	Consumption (Units)	Short levy (15-8) per cent
(1)	(2)	(3)	(4)	(5)	(6)
1	Bhaskar (JBP)	07/07-11/09	300	8,43,648	2.25
2	Nai Duniya (JBP)	10/07-11/09	200	5,03,816	1.34
3	Raj express (JBP)	01/09-11/09	250	1,88,487	0.51

<sup>3</sup> Upto 3 months-12 *per cent* per annum (p.a.), 3 and 6 months-15 *per cent* p.a., 6 and 12 months-20 *per cent* p.a. and more than 12 months-24 *per cent* p. a



(1)	(2)	(3)	(4)	(5)	(6)
4	Rajasthan Patrika (Indore)	09/08-10/09	480	9,44,218	2.47
5	MPAKVN (JBP)	04/05-01/10	170	37,79,454	10.05
	<b>Total</b>			<b>62,59,623</b>	<b>16.62</b>

Scrutiny of form G of the same DISCOM for the same month revealed that duty at the rate of 15 *per cent* was levied on other media houses. Yet this anomaly remained undetected in the SE offices.

When we pointed this, the SE (E/S) Jabalpur stated (February 2010) that necessary action would be taken after spot verification and the SE (E/S) Indore stated (January 2010) that demand notice would be issued after conducting necessary inspection.

#### 8.2.8.4 Non-levy of duty/penalty due to non-submission of returns

Three DEIs (E/S) offices<sup>4</sup>

Under the MPED rule, the producers and distributors of electrical energy are required to furnish periodical return (Form G) to the EIs within the stipulated period alongwith the ED payment particulars (Challan). Further the Act provides that if any distributor of electrical energy or any producer or consumer fails to furnish returns in accordance with any rules, he shall be punishable with a fine which may extend to ₹ 1,000.

We observed that 1,116 captive consumers neither submitted Form G nor paid the duty against the energy produced/consumed through captive power. This attracted maximum penalty of ₹ 11.16 lakh for which the department did not file the case with the jurisdictional court. We could not work out

the amount of ED leviable due to the absence of Form G.

When we pointed this, the DEIs stated that the department does not have the powers to impose penalty. However, the reply is silent about filing the case before the jurisdictional court and recovery of the deficient ED. Further, there is no mechanism in the CEI office to monitor the monthly receipt of returns from the DEI offices so as to obviate the possibility of non-submission of returns and consequent non-levy of ED.

**Government may consider prescribing a mechanism to ensure that the monthly/annual returns are submitted in time in the prescribed format alongwith supporting documents and introducing a periodic return from the CEI to the Government containing the information regarding duty payable, paid and balance to be deposited.**

<sup>4</sup> DEI Sehore, DEI Ujjain, and DEI, Ratlam.

**8.2.9 Short realisation of duty from mining activities**

Under the Act, every distributor of electrical energy and every producer shall pay every month to the State Government at the prescribed time and in the prescribed manner, a duty calculated at the specified rates on the units of electrical energy sold or supplied to a consumer or consumed by him during the preceding month. The Act provides for 40 per cent of duty applicable for mines, other than captive mines of cement industry. Further, as defined in the Act, 'mine' includes the premises or machinery situated in or adjacent to a mine and used for crushing, processing, treating or transporting of material. As per the Act, a consumer who generates energy for his own consumption shall be liable to pay duty at the same rates as if the electrical energy is supplied by MPSEB. **The department did not prescribe any check list to be appended with the application form for the electrical installations to determine the activity proposed to be carried out by the licensee.**

We observed in the office of the SE (E/S) Jabalpur, that consumers were engaged in mining activities, but duty was incorrectly levied at the rate of eight per cent applicable for industrial purposes in place of 40 per cent for mining activities on consumption of 884.85 MU electrical energy. This resulted in short realisation of duty of ₹ 10.97 crore<sup>5</sup> as detailed below.

(₹ in lakh)

Sl. No	Name of consumer	Period	Total consumption	ED levied @ 8 per cent	ED leviable @ 40 per cent	ED short levied
1	MOIL Balaghat	02/07 to 09/09	669.92 MU	208.48	1042.40	833.92
2	SVIL Katni	05/07 to 11/09	148.59 MU	45.60	228.00	182.40
3	M/s Ojaswi Marble	09/07 to 11/09	46.70 MU	14.32	71.60	57.28
4	M/s Arihant Marble	05/07 to 11/09	10.98 MU	3.36	16.80	13.44
5	M/s Balaji Marble	04/05 to 12/09	8.66 MU	2.61	13.05	10.44
	<b>Total</b>		<b>884.85 MU</b>	<b>274.37</b>	<b>1,371.85</b>	<b>1,097.48</b>

We noticed that while Arihant Marbles was charged at the rate of eight per cent, two other entities in the same location were charged at the rate of 40 per cent. Further, in the case of Ojaswi Marbles, though duty was levied at the rate of 40 per cent for captive consumption yet it was collected at the rate of eight per cent on HT connection. In the case of MOIL,

<sup>5</sup> ₹ 1,371.85 lakh - ₹ 274.37 lakh = ₹ 1,097.48 lakh.

we noticed that though the agreement for HT supply with MPEB was for “supply of electrical energy in bulk at the consumer’s premises situated at Bharveli mines in Balaghat district”, yet ED was charged at industrial rates.

In the absence of any check list to ascertain the activity of the licensee, the CEI was constrained to detect the short realisation of duty in these cases.

When we pointed out, the SE (E/S) assured (February 2010) to take corrective action. Further action is awaited (December 2010).

**The Government may, therefore, consider prescribing a mechanism to correlate spot verification reports with the documents submitted.**

### Internal control

#### 8.2.10 Shortfall in electrical inspection

Eight DEIs/SEs/CEI offices<sup>6</sup>

Under the Indian Electricity Rules, every installation shall be periodically inspected and tested at an interval not exceeding five years either by an inspector or any other officer, on payment of fees in advance at the prescribed rates, depending on the connection load. **However, the Government has not prescribed any periodical return from the CEI showing the list of inspections due, conducted and shortfall, if any, with reasons for the same, to ensure compliance with the provisions.**

We observed that out of 6.01 lakh high tension electrical installations required to be inspected, only 3.47 lakh were inspected by the department during the period 2005-06 to 2008-09, leaving a shortfall of 2.54 lakh installations as detailed below:

Year	Inspection due	Inspection done	Inspection not done	Percentage shortfall (Column 4 to 2)
(1)	(2)	(3)	(4)	(5)
2005-06	1,37,531	88,528	49,003	35.63
2006-07	1,47,137	80,116	67,021	45.55
2007-08	1,52,422	91,779	60,643	39.79
2008-09	1,63,452	86,427	77,025	47.12
<b>Total</b>	<b>6,00,542</b>	<b>3,46,850</b>	<b>2,53,692</b>	<b>42.24</b>

Information on the number of inspections due, planned and actually conducted during the last five years for the entire state was not furnished by the CEI, despite request (July 2010). Neither was the basis for selection of electrical installations to be inspected at different intervals, furnished by the CEI, despite repeated requests (July 2010). The CEI stated (August 2010) that the

<sup>6</sup> CEI (Bhopal), SE Jabalpur, SE Indore, DEI Gwalior, DEI Sehore, DEI Ratlam, DEI Ujjain, DEI Khandwa.

inspectors carried out inspections as per weather conditions. Thus, there is no risk based objective criteria to select electrical installations for inspection. We also could not ascertain whether the installations which had defaulted in furnishing 'G' form to the CEI, were included in the schedule of inspection.

**The Government may, therefore, consider prescribing a monthly return from the DEI to the CEI and the CEI to the Government showing the list of inspections due, conducted and shortfall, if any, with the reasons for the same to ensure better compliance with the prescribed provisions of the rules. It should also consider implementing a scientific basis for selection of the installations for inspection.**

### Compliance deficiencies

#### 8.2.11 Loss of revenue due to absence of any time limit for periodical assessment of dutiable and non-dutiable consumption

Under the Act, no duty shall be payable in respect of electrical energy sold or supplied to the Railways for consumption in the construction, maintenance or operation activities. Rule 10 of the MPED Rules provides that every distributor of electrical energy and every producer, shall install a meter separately for each category for which rate of duty applicable are different, to record the energy sold or supplied to a consumer or consumed by him. Further, amendment of section 3 of the Act provides that if the consumption of any one purposes is used either wholly or partly, without the consent of distributors or producer of electricity, as the case may be, for consumption for any purpose for which higher rate of duty is chargeable, the entire energy sold or supplied shall be charged at the highest applicable rate. If consumption of electrical energy, both dutiable and non-dutiable, is recorded by one meter, the dutiable energy consumption of different categories shall be assessed in the manner laid down by the Electrical Inspector (till such time, meter for each category is installed).

• We observed that in respect of ten HT connections of railways at nine railway stations<sup>7</sup> where no separate meters were installed, though the three DISCOMs supplied 941.00 MU of electrical energy to the railways for combined purposes, yet ED on only 334.40MU (35.6 per cent) of electrical energy was collected by these DISCOMs and the remaining consumption was exempted from payment of the ED treating these units as non dutiable consumption. The duty leviable at the applicable rates to dutiable units worked out to ₹ 4.58 crore for the last five years.

Even for the dutiable consumption, the CEI did not have any basis for

<sup>7</sup> Gwalior, Bhopal, Ujjain, Ratlam, Khandwa, Mhow, Neemuch, Shamgarh and Katni.

computation. In eight out of ten connections, the DEIs/ SEs were not even aware of the date on which the first assessment of such dutiable and non-dutiable consumption was recorded. We further observed that though the DISCOMs submitted the monthly returns regularly to the DEIs yet the latter failed to reassess the dutiable and non-dutiable consumption recorded by a single meter. This led to non levy of duty and cess of approximately ₹ 4.58 crore.

When we pointed this out, the CEI stated (April 2010) that written communication has been sent to the distribution company for issuing directions to install separate meters for recording dutiable and non-dutiable consumption. He also stated that all the SE (E/S) and DEI (E/S) have been directed for necessary action in this regard. However, the reply is silent on the recovery of duty as per the Act/Rule till separate meters are installed.

- We observed that one HT connection which was originally installed at Gwalior railway station for the purpose of charging the battery driven engine, had been utilised for supplying electricity for residential purpose. Such exemption was given though the connection was dutiable. This resulted in non-levy of duty of approximately ₹ 50.47 lakh on 83.58 MU energy consumed between May 2005 and October 2009.

In reply, Government stated (April 2010) that written communication has been issued to the DISCOM for recovery of ₹ 50.47 lakh. Further reply is awaited (December 2010).

- We observed from the records of the Regional Accounts Officer (RAO), Indore circle, and SE (E/S) Indore that though the DISCOM supplied 684.00 MU of electrical energy to Eicher Motor, Pithampur, Indore between April 2005 and December 2009 for both industrial and non-industrial consumption, yet ED at non-industrial rate of 15 *per cent* was levied only on 2.28 MU while the remaining 681.72 MU of electrical energy was treated as industrial consumption and charged at the rate of 8 *per cent*. However, no separate meter or sub meters were installed to identify consumption of electricity for industrial and non-industrial purposes. Thus, duty of approximately ₹ 1.84 crore<sup>8</sup> was leviable at higher rate (15 *per cent*) on the entire consumption of electricity.

### 8.2.12 Loss of revenue due to lack of provision for security deposit

Under the Act, ED is to be paid to the State Government by those who generate electricity for their own consumption by a generator of capacity exceeding 10 KW. In the event of delay in paying ED beyond 30 days, interest at the prescribed rate is leviable.

We observed that one industrial unit consumed 550.11 MU of self generated power between April 2004 and January 2006 but did not pay any ED on such consumption. The DEI also failed to raise the demand and realise the ED. This resulted

in non-levy of duty of ₹ 3.15 crore including interest up to March 2010. This could have been obviated had there been a provision for security deposit.

<sup>8</sup>  $(684 - 2.28) \times 100000 \times 3.86 \times (15 - 8) \text{ per cent} = ₹18420074$  say ₹1.84 crore.

When this was pointed by us, the CEI raised (May 2010) the demand of ₹ 3.05 crore in January 2010 with interest up to September 2009.

### **8.2.13 Conclusion**

We observed that the monitoring of the return submitted in the DEI and CEI offices by the distribution companies and those by the producers was deficient which led to non-detection of non levy and short levy of duty and cess. The distribution companies continued to retain the duty collected by them which was adjusted irregularly by the Energy department against their claim for working capital. This adjustment of departmental receipts is in violation of the codal provisions and threw the budget estimates into disarray. We noticed that substantial revenue was lost due to grant of irregular exemption to bodies which had not installed separate meters to assess dutiable and non-dutiable consumption.

### **8.2.14 Recommendations**

The Government may consider implementation of the following recommendations.

- the departmental receipts of electricity should be deposited as and when collected under the appropriate head of revenue as specified in the Act and the MP Treasury Code;
- consider laying down a time frame for periodical assessment of dutiable and non-dutiable consumption;
- we recommend that a monthly return should be prescribed from the DEI offices to the CEI office to monitor the status of receipt of Form G and CEI to Government regarding duty and cess payable, paid and balance; and
- we recommend that a provision for security deposit and vesting the departmental officers with powers of revenue officers may enable timely and effective recovery of arrears of electricity duty from the defaulting units.