

CHAPTER-V

REVENUE RECEIPTS

5.1 Trend of revenue receipts

5.1.1 The tax and non-tax revenue raised by the Government of Goa during the year 2010-11, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl No	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Revenue raised by the State Government					
	• Tax revenue	1291.54	1358.91	1693.55	1762.34	2139.57
	• Non-tax revenue	917.62	1042.82	1236.16	1731.20	2268.60
	Total	2209.16	2401.73	2929.71	3493.54	4408.17
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union taxes and duties	312.11	393.72	415.44	427.42	584.21
	• Grants-in-aid	88.49	148.45	183.12	179.31	449.56
	Total	400.60	542.17	598.56	606.73	1033.77
3	Total revenue receipts of the State Government (1 and 2)	2609.76	2943.90	3528.27	4100.27	5441.94
4	Percentage of 1 to 3	85	82	83	85	81

The above table indicates that during the year 2010-11 the revenue raised by the State Government (₹ 4408 crore) was 81 *per cent* of the total revenue receipts against 85 *per cent* in the preceding year. The balance 19 *per cent* of receipts during 2010-11 was from the Government of India.

5.1.2 The following table presents the details of tax revenue raised during the period from 2006-07 to 2010-11:

Audit Report for the year ended 31 March 2011

(₹ in crore)

Sl No	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+) or decrease (-) in 2010-11 over 2009-10
1	Sales tax/VAT /Central sales tax	844.82	879.28	1131.64	1142.13	1380.05	(+) 20.83
2	State excise	57.23	75.94	88.70	104.46	139.16	(+) 33.22
3	Stamp duty and registration fees						
	Stamps - Judicial	1.08	1.29	1.18	1.28	1.60	(+) 25.10
	Stamps - Non-Judicial	66.50	65.90	67.11	67.66	89.13	(+) 31.73
	Registration fees	48.34	50.40	47.08	42.31	61.07	(+) 44.32
	Total	115.92	117.59	115.37	111.25	151.80	(+) 36.44
4	Luxury tax	42.73	66.94	66.32	65.33	88.30	(+) 35.15
5	Taxes on vehicles	74.56	81.96	90.15	105.12	130.40	(+) 24.05
6	Entertainment tax	5.09	11.17	19.65	33.56	43.70	(+) 30.21
7	Land revenue	6.23	7.19	9.39	10.61	8.32	(-) 21.58
8	Taxes on goods and passengers	8.66	8.50	9.80	10.37	10.94	(+) 5.50
9	Entry Tax	129.36	104.22	147.65	150.36	161.03	(+) 7.10
10	Other taxes and duties on commodities and services	6.94	6.12	14.88	29.15	25.87	(-) 11.25
	Total	1291.54	1358.91	1693.55	1762.34	2139.57	

The following reasons for variation were reported by the concerned departments:

- Sales tax/Central Sales Tax/VAT increased by 20.83 *per cent* due to increase in receipts under Central Sales Tax and Value Added Tax.
- State excise increased by 33.32 *per cent* mainly due to more receipts under Malt liquor, Indian Made Foreign liquor, spirits and licenses.
- Registration fees increased by 44.32 *per cent* due to growth in collection of stamps duty and registration fees.
- Land revenue decreased by 21.58 *per cent* due to less receipts from survey and settlement operations.

5.1.3 The following table presents the details of the major non-tax revenue raised during the period 2006-07 to 2010-11:

(₹ in crore)

Sl No	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+) or decrease (-) in 2010-11 over 2009-10
1	Power	681.67	796.26	986.70	941.30	969.06	(+) 2.95
2	Non-ferrous mining and metallurgical industries	34.30	36.40	36.35	292.25	983.73	(+) 236.61
3	Water supply and Sanitation	58.09	61.23	65.76	70.38	69.60	(-) 1.12
4	Interest receipts	15.60	16.70	20.45	13.64	17.88	(+)31.10
5	Major and Medium Irrigation	2.93	3.56	8.51	10.57	23.67	(+)123.89
6	Minor Irrigation	0.78	0.58	7.54	6.69	9.95	(+) 48.81
7	Medical and public health	9.06	8.33	8.30	5.98	8.31	(+) 38.79
8	Ports and Lighthouses	16.85	14.39	16.04	20.13	33.17	(+) 64.77
9	Misc. General Services	0.06	40.38	--	259.88	19.45	(-) 92.52
10	Other Administrative services	62.68	22.16	37.46	40.50	40.63	(+) 0.32
11	Education, sports, art and culture	10.57	9.40	9.24	10.96	12.75	(+) 16.26
12	Others	25.03	33.43	39.81	58.92	80.40	(+) 36.46
Total		917.62	1042.82	1236.16	1731.20	2268.80	

The following reasons for variation were reported by the concerned departments:

- Receipts under non-ferrous mining and metallurgical industries increased by 236.61 *per cent* mainly due to increase in collection from mineral concession fees and royalties.
- Receipts from Major and Medium Irrigation increased by 123.89 *per cent* due to more receipt from Salaulim and Anjunem projects.
- Receipts from Miscellaneous and General services decreased by 92.52 *per cent* mainly due to less receipt under “Other Receipts”.

5.1.4 Variation between budget estimates and actual receipts

The variation between the budget estimates of revenue receipts and the actual receipts under the principal heads of tax and non-tax revenue for the year 2010-11 is given in the following table:

(₹ in crore)

Sl No	Revenue head	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
• Tax revenue					
1	Sales tax/VAT	1495.00	1380.05	(-) 114.95	(-) 7.69
2	State excise	119.67	139.16	(+) 19.49	(+) 16.29
3	Stamp duty and registration fees	127.18	151.80	(+) 24.62	(+) 19.36
4	Taxes on vehicles	99.00	130.40	(+) 31.40	(+) 31.72
5	Entertainment tax	45.00	43.70	(-) 1.30	(-) 2.89
6	Land revenue	10.63	8.32	(-) 2.31	(-) 21.73
7	Luxury tax	125.00	88.30	(-) 36.70	(-) 29.36
8	Taxes on goods and passengers	12.01	10.94	(-) 10.70	(-) 8.91
9	Entry tax	135.00	161.03	(+) 26.03	(+) 19.28
• Non-tax revenue					
1	Non-ferrous mining and metallurgical industries	276.86	983.73	(+) 706.87	(+) 255.32
2	Power	1072.27	969.06	(-) 103.21	(-) 9.63
3	Water supply and sanitation	71.35	69.60	(-) 1.75	(-) 2.45

The following reasons for variation were observed:

The receipt from luxury tax during 2010-11 was 29.36 per cent less than the budget estimates. However, the actual collection during the year was 35.15 per cent more than that of the preceding year. The estimates under this head increased from ₹ 75 crore in 2009-10 to ₹ 125 crore in 2010-11 indicating that the estimates framed by the Department were not realistic.

The increase in receipts under non-ferrous mining and metallurgical industries by 257.32 per cent compared to the budget estimates was due to substantial increase in collection of royalty and mineral concession fees during the year.

5.1.5 Cost of collection

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2008-09 to 2010-11 along with the relevant All-India average percentage of expenditure on collection to gross collections are given in the following table:

(₹ in crore)

Sl No	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year
1	Sales tax/ VAT	2008-09	1131.64	5.82	0.51	0.83
		2009-10	1142.13	7.15	0.63	0.88
		2010-11	1380.05	7.99	0.58	0.96
2	State excise	2008-09	88.70	5.85	6.60	3.27
		2009-10	104.46	8.17	7.82	3.66
		2010-11	139.16	7.75	5.57	3.64
3	Stamp duty and registration fees	2008-09	115.37	3.51	3.04	2.09
		2009-10	111.25	4.45	4.00	2.77
		2010-11	151.79	5.17	3.41	2.47
4	Taxes on vehicles	2008-09	90.15	1.75	1.94	2.58
		2009-10	105.12	2.21	2.10	2.93
		2010-11	130.40	2.48	1.90	3.07

During the last three years, the percentage of cost of collection to gross collection was below the All India average in respect of Sales Tax/VAT and Taxes on vehicles. However the percentage of cost of collection in respect of State excise and Stamp duty was higher than the All India average.

The Government may explore possibilities for reduction in the collection charges particularly in respect of State excise.

5.1.6 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General, Goa (AG) conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are 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 are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

A review of IRs issued upto December 2010 disclosed that 163 paragraphs involving ₹ 5.82 crore relating to 66 IRs remained outstanding at the end of June 2011 as mentioned below along with the corresponding figures for the preceding two years.

Audit Report for the year ended 31 March 2011

	June 2009	June 2010	June 2011
Number of outstanding IRs	90	73	66
Number of outstanding audit observations	274	154	163
Amount involved (₹ in crore)	30.20	13.98	5.82

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2011 and the amounts involved are mentioned below.

(₹ in crore)

SI No	Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Finance	Sales tax/VAT	8	22	2.86
		Entry tax	8	19	0.30
		Luxury tax	3	5	0.06
		Entertainment tax	7	9	0.02
2	Excise	State excise	14	24	0.70
3	Revenue	Land revenue	7	19	0.90
4	Transport	Taxes on motor vehicles	4	23	0.13
5	Stamps and registration	Stamp duty & registration fee	15	42	0.85
Total			66	163	5.82

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 24 IRs issued upto December 2010. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who did not send replies to the IRs/paragraphs as per the prescribed time schedules and also did not take action to recover loss/outstanding demand in a time-bound manner.

5.1.7 Departmental audit committee meetings

No Audit committee meetings were held during the year 2010-11.

5.1.8 Response of the departments to the draft audit paragraphs

The draft paragraphs/reviews proposed for inclusion in the Audit Report are forwarded by the AG to Secretaries of the concerned Departments through demi-official letters. All Departments are required to furnish their remarks on the draft paragraphs/reviews within six weeks of their receipt. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Four paragraphs and one review proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2011 were forwarded to the concerned Secretaries during April-October 2011.

In respect of two draft paragraphs - Short levy of output tax and Short recovery of entertainment tax - the Department accepted the audit observations and recovered ₹ 9.05 lakh and ₹ 5.40 lakh respectively. The remaining two cases have been included in this Report without receiving the reply of the Government.

5.1.9 Follow up on Audit Reports – summarised position

According to the instruction issued by the Goa Legislature Secretariat in July 2004, administrative departments are required to furnish explanatory memoranda (EMs), vetted by the Office of the Accountant General, Goa, within three months from the date of tabling of the Audit Report in the State Legislature in respect of the paragraphs included in the Audit Reports. EMs were not received as of August 2011 in respect of 17 paragraphs from the administrative departments, as shown below:

Department	Year of Audit Report	Date of presentation to the Legislature	Last date by which EMs were due	Number of paragraphs for which EMs were due	Delay (months)
Public Works Department	2006-07	August 2008	November 2008	1	34
Finance	2007-08	March 2009	June 2009	4	25
Transport	2007-08	March 2009	June 2009	1	25
Revenue	2007-08	March 2009	June 2009	1	25
Finance	2008-09	March 2010	June 2010	3	13
Transport	2008-09	March 2010	June 2010	1	13
Revenue	2008-09	March 2010	June 2010	1	13
Finance	2009-10	March 2011	June 2011	3	1
Revenue	2009-10	March 2011	June 2011	2	1

5.1.10 Compliance with the earlier Audit Reports

In the Audit Reports 2005-06 to 2009-10, 1,305 cases of non-assessments, non/short levy of taxes etc., were included involving an amount of ₹ 157.58 crore. Of these, as of June 2011, the Departments concerned have accepted

Audit Report for the year ended 31 March 2011

249 cases involving ₹ 23.11 crore and recovered ₹ 65.27 lakh in 243 cases. Audit Report-wise details of cases accepted and amounts recovered are as under:

(₹ in lakh)

Audit Report	Included in the Audit Report		Accepted by the Department		Recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2005-06	5	469.30	3	55.16	3	55.16
2006-07	8	3391.63	3	37.69	-	-
2007-08	184	2509.11	1	2134.00	-	-
2008-09	1098	9291.83	236	7.42	236	7.42
2009-10	10	96.58	6	76.77	4	2.69
Total	1305	15758.45	249	2311.04	243	65.27

Action to recover the amounts involved in the remaining cases accepted by the Departments needs to be expedited.

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

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Department/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last five years in respect of one Department is evaluated and included in each Audit Report.

The succeeding paragraphs 5.1.12 to 5.1.13 discuss the performance of the Commercial Tax Department to deal with the cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 2000-01 to 2009-10.

5.1.12 Position of Inspection Reports

The summarised position of inspection reports issued during the last five years, paragraphs included in these reports and their status as on 31 March 2011 are tabulated below:

(₹ in lakh)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paragraphs	Money value	IRs	Paragraphs	Money value	IRs	Paragraphs	Money value	IRs	Paragraphs	Money value
2006-07	19	50	146.17	8	39	208.10	3	26	75.62	24	63	278.65
2007-08	24	63	278.65	9	61	3156.76	6	25	188.11	27	99	3247.30
2008-09	27	99	3247.30	20	127	1039.53	13	67	2457.32	34	159	1829.51
2009-10	34	159	1829.51	19	43	298.61	14	109	1594.82	39	93	533.30
2010-11	39	93	533.30	20	54	458.33	28	80	431.31	31	67	560.32

5.1.13 Assurances given by the Department/Government on the issues highlighted in the Audit Report

5.1.13.1 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 the following table:

(₹ in lakh)

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered	Cumulative position of recovery of accepted cases
2000-01	1	2.62	-	-	-	-
2001-02	2	44.86	-	-	-	-
2002-03	1	6.67	1	6.67	-	-
2003-04	1	1.12	1	1.12	1.12	1.12
2004-05	1	111.96	-	-	-	1.12
2005-06	1	47.94	1	47.94	47.94	49.06
2006-07	3	68.72	-	-	-	49.06
2007-08	2	281.31	-	-	-	49.06
2008-09	3	73.07	-	-	-	49.06
2009-10	2	62.56	1	54.50	-	49.06
Total	17	700.83	4	54.5	49.06	247.54

Periodical reminders were issued to the Secretary (Legislature/Finance) for the compliance of paragraphs featured in the Audit Reports and for Action Taken Reports wherein there are Public Accounts Committee recommendations.

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

The draft performance reviews conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the Department's/Government's views are included while finalising the reviews for the Audit Reports.

The following table depicts the issues highlighted in the reviews on the Commercial tax department featured in the Audit Reports including the number of recommendations made and the recommendations accepted by the Department as well as the Government.

Year of Audit Report	Name of the review	Number of recommendations made	Details of the recommendations accepted
2004-05	Internal Controls in Sales Tax Department of State of Goa	Three	Replies awaited
2007-08	Receipts under Luxury Tax	Eight	Replies awaited
2009-10	Transition from Sales Tax to Value Added Tax	Five	Replies awaited

5.1.14 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. The annual plan is prepared on the basis of risk analysis which *inter alia* include 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, features of the tax administration, audit coverage and its impact during the past five years etc.

During the year 2010-11, the audit universe comprised of 138 auditable units, of which 45 units were planned and audited during the year 2010-11 which is 33 per cent of the total auditable units.

Besides the compliance audit mentioned above, one review on “Utilisation of declaration forms in Interstate Trade and Commerce” was taken up to examine the efficacy of the system in the Commercial Tax Department for proper utilisation of declaration forms and exemptions/concession allowed thereagainst.

5.1.15 Arrears in assessments

There were no arrears in VAT assessments at the end of 2010-11 as informed by the Commercial Taxes Department.

5.1.16 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2010-11, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2011 are as follows:

Opening balance	No. of appeals filed during 2010-11	Total	No. of appeals disposed of during the year	Balance as on 31 March 2011	Percentage of cases disposed of to total number of cases
1022	366	1388	182	1206	13

The Department needs to take proactive steps to reduce the pendency in appeals.

5.1.17 Frauds and evasion

The Commissionerate of Commercial Taxes and Director of Transport reported that there were no cases of frauds and evasion detected during the year.

The number of cases booked for the year 2010-11, cases finalised and additional tax raised during the year as reported by the Commissionerate of Excise are as follows:

(₹ in lakh)

	Number of cases	Additional demand raised
A. (i) Cases pending as on 1 April 2010	26	-
(ii) Cases detected during the year 2010-11	219	-
B. Cases in which investigations/assessments were completed during the year	183	-
C. Cases pending as on 31 March 2011	62	-

5.1.18 Internal audit

Internal audit is an effective tool in the hands of the management of an organisation to assure itself that the organisation is functioning in an efficient manner and in terms of its stated objectives and the financial and administrative systems and control procedures are functioning effectively.

Internal audit of all the departments and offices in the State is the responsibility of the internal inspection cell (IIC) under the administrative control of the Director of Accounts. The Government, in August 1996, decided that major departments, having a post of Senior Accounts Officer/Accounts Officer would be responsible for internal inspection of their subordinate offices.

The details of the number of offices due for audit and number of offices audited during the year 2010-11 are as follows:

Department	No. of offices due for audit	No. of offices audited	Shortfall	Reasons for shortfall
Transport	7 Offices and 4 Check posts	5 Offices and 4 Check posts	2	Inadequate staff
Registration	-	-	-	Accountant post vacant
Excise	2	2	-	-

The Commissionerate of Commercial Taxes stated that no internal audits were conducted by the Department.

Forty three observations pertaining to the Registration department were pending settlement at the end of 2010-11. No observations were pending in Excise and Transport Department.

5.1.19 Results of local audit conducted during the year

Test-check of records of Sales Tax/VAT, Land Revenue, State Excise, Motor Vehicles Tax and Stamp Duty and Registration Fees conducted during

2010-11 revealed under assessment/short levy/loss of revenue amounting to ₹ 180.36 crore in 130 cases. The Department accepted under assessment of ₹ 17.50 lakh in 23 cases pointed out in earlier years and short assessment of ₹ 16 lakh in 13 cases pointed out during the year and recovered ₹ 33.50 lakh as of June 2011 in 36 cases. No replies have been received in respect of the remaining cases.

5.1.20 This chapter

This chapter contains two paragraphs (selected from the audit detections made during the local audit referred to above) and one performance review on “Utilisation of declaration forms in Interstate Trade and Commerce”.

FINANCE DEPARTMENT

5.2 Utilisation of declaration forms in inter-state trade and commerce

Highlights

- Details of utilisation of declaration forms were only partially uploaded on TINXSYS website with the result that the system could not be put to effective use by other States.
(Paragraph 5.2.7.1)
- Acceptance of invalid/defective declaration in form C interstate sales furnished by the dealers resulted in short recovery of tax of ₹ 1.69 crore.
(Paragraph 5.2.7.3)
- Failure to restrict stock transfer transaction of one calendar month in a single declaration form F resulted in short levy of tax of ₹ 2.20 crore on the transactions beyond one month.
(Paragraph 5.2.7.4)
- Failure to cross verify the declaration forms before allowing concessions/exemptions in inter-state transactions resulted in short levy of tax to the tune of ₹ 99.21 lakh.
(Paragraph 5.2.7.5)
- Receipt of invalid declaration forms was not monitored and there was no cross verification of declaration forms indicating weak internal control system.
(Paragraph 5.2.8)

5.2.1 Introduction

The Central Sales Tax (CST) Act, 1956 and the Rules framed thereunder regulate the assessment, levy and collection of tax on inter-state transactions. Under the provisions of the Act and the Rules made thereunder, inter-State purchases or sale of goods are made at a concessional rate on the production of declaration in form C. Up to March 2007, where a dealer fails to obtain and produce such declaration, tax is levied in respect of declared goods at twice the rate applicable to the sale or purchase of such goods inside the State and in case of other goods, at the rate of 10 *per cent* or at the rate applicable to the sale or purchase of such goods within the State, whichever is higher. With effect from April 2007 rates applicable to the sale or purchase of declared goods were the same as those applicable to goods within the State under the Goa Value Added Tax (GVAT) Act.

The CST Act also provides that goods transferred by a dealer outside the State to any place of his business or to his agent or principal are not taxable provided such transfer is supported by a declaration in form F which is obtained from the transferee along with evidence of dispatch of such goods to

substantiate the claim of transfer. If the dealer fails to furnish such declaration then the movement of such goods shall be deemed to have been occasioned as a result of sale under the CST Act and tax charged accordingly.

In case of misutilisation of declaration forms, penal action in accordance with Section 10 or 10A in the form of prosecution or fine are to be imposed on the buyer or seller whereby if a person furnishes a declaration which he knows or has reason to believe to be false, he may be punishable with simple imprisonment which may be extended to six months or with a fine or with both.

Tax Information Exchange System (TINXSYS) is an exchange authored by the Empowered Committee of State Finance Ministers as a repository of inter-state transactions taking place among various States and Union Territories. The website was designed to help the Commercial Tax departments of the various States and Union Territories to effectively monitor inter-state trade. The Commercial Tax Department is required to upload the issue and utilisation details of 'C' and 'F' forms on the system. TINXSYS can be used by any dealer to verify the counter party Inter-state dealer in any other State. Apart from dealer verification, it can also be used for verification of Central Statutory Forms issued by other State Commercial Tax Departments and submitted by the dealers in support of claim for concessions.

The review of the utilisation of declaration forms in inter-state trade and commerce revealed some system and compliance deficiencies, which have been mentioned in the succeeding paragraphs.

5.2.2 Trend of revenue under CST

The Budget Estimates of revenue receipts and the actual receipts under CST and variations during the years 2007-08 to 2010-11 is mentioned below:

(₹ in lakh)

Year	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
2007-08	8900.00	5962.37	(-) 2937.63	(-) 49.26
2008-09	5500.00	5948.94	(+) 448.94	(+) 7.54
2009-10	7800.00	7805.30	(+) 5.30	(+) 0.06
2010-11	9200.00	9735.55	(+) 535.55	(-) 5.50

The Department attributed the shortfall in the actual receipts for the year 2007-08 to the decrease in the rate of CST from 4 per cent to 3 per cent. The increase in the actual receipts during 2008-09 and 2009-10 was mainly due to normal growth and some of the dealers went out of the purview of the NPV¹ scheme and became liable to pay full tax.

¹ The Goa Value Added Tax Deferment-cum-Net Present Value Compulsory Payment Scheme, 2005.

5.2.3 Organisational set-up

At the apex level, the Commissioner of Commercial Taxes administers the levy and collection of tax revenues under the Goa Value Added Tax, 2005, the Central Sales Tax Act, 1956 along with other taxes such as Luxury tax, Entry tax and Entertainment tax. The Finance Department is the administrative department for taxation. The Commissioner is assisted by one Additional Commissioner and six Assistant Commissioners, 24 Commercial Tax Officers and 39 Assistant Commercial Tax Officers. There are seven Ward Offices headed by Commercial Tax Officers located at different talukas of Goa for registration of dealers and the levy, assessment and collection of tax. The Government of Goa introduced electronic issue of declaration forms to the dealers in August 2010 through the website of the Department. Accordingly, the registered dealers will be issued statutory forms for inter-state trade on submission of transaction details including details of the counterpart dealer in the other state.

5.2.4 Audit objectives

The review attempted to ascertain whether:

- The system for custody and issue of declaration forms was reliable;
- Exemption/concession of tax was granted by the assessing authorities on the basis of original declaration forms;
- There is a system of uploading the issue and utilisation of declaration forms in the TINXSYS website and the database available in TINXSYS is used for cross verification of the claims made by the dealers in the declaration forms; and
- An adequate and effective internal control mechanism was in place for ensuring proper use of declaration forms so as to prevent leakage of revenue.

5.2.5 Scope and methodology of audit

The review was conducted in three phases between November 2010 and March 2011 covering the assessments done during 2007-08 to 2009-10.

- In the first phase information regarding the selling dealers involved in inter-state trade was picked up from the records of the selected wards. For this, five[^] out of seven wards were selected on the basis of volume of tax collection i. e. high, medium and low to ensure a representative coverage. Every tenth assessment record from the Day Book Register maintained at the selected Ward offices was picked up. In all, 336 assessment records of 114 dealers were scrutinized.
- In the second phase the details of 1710 'C' forms and 713 'F' forms were sent to Audit Offices located in other states for cross verification with the records of the purchasing dealers registered in that state.

[^] Curchorem, Mapusa, Margao, Panaji, Vasco.

- In the third and final phase, the verification reports received from audit offices in other states were scrutinised and audit comments were brought to the notice of the Department.

5.2.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Tax Department in providing necessary information and records to Audit. An entry conference was held on 18 November 2010 which was attended by the Commissioner of Commercial Taxes (CCT), Additional Commissioner (ACCT) and Commercial Tax Officers (CTOs) from the Department wherein the audit objectives and scope of audit were discussed. The exit conference was held on 4 October 2011 which was attended by the CCT and ACCT. The audit findings were discussed and the response of the Commissioner on the audit findings has been incorporated in this review.

Audit findings

5.2.7 System deficiencies

5.2.7.1 Cross verification of statutory forms using TINXSYS

The Government of India had initiated a website named TINXSYS - the Tax Information and Exchange System which is a centralised exchange of all Inter-state dealers spread across the various states and Union Territories of India. Every State is required to send the information on the issue and utilisation of declaration forms to the Finance Ministry for uploading onto the website as the system of verification of forms will work efficiently only if the entire database regarding issue and utilisation of forms are uploaded on the TINXSYS by all the States regularly.

Scrutiny of records at five Ward offices revealed that during the period covered by the review, the Department had not adopted a system of checking the veracity of the declaration forms issued by other states from the TINXSYS database before allowing concessions/exemptions of tax. Further, as regards purchasing dealers of its own state, while the Department had uploaded issue details of 8,08,075 C and F forms to these dealers as of May 2011, utilisation details of only 78,887 C and F forms by these dealers were uploaded. The forms uploaded on TINXSYS website did not include bill-wise transactions with the result that the use of TINXSYS in other States would be limited to assuring the genuineness of the forms but not the correctness of the transactions effected through individual forms.

The Department agreed that cross verification of declaration forms by using TINXSYS was not being done by the Assessing Authorities since complete data is not available from other states and relying on incomplete data would mean harassment to dealers. It was also stated that action was initiated to upload bill-wise data of utilised forms on TINXSYS which was eventually not done since the backlog would take considerable time and no purpose would be served since the assessments of VAT were almost completed up to 2007-08.

The reply of the Department is not tenable since the data uploaded could be useful for upto a period of five years in re-assessed cases and the effectiveness of cross verification using TINXSYS would require bill-wise information in order to ensure the validity of the transactions effected through the declaration forms.

In the absence of a proper system installed for prompt uploading of issue and utilisation of statutory forms, it would not be of use to other states for ensuring the correctness of the concession/exemption given to the dealers or preventing the use of defective/invalid forms.

5.2.7.2 Absence of enforcement measures

Audit observed that no Intelligence Wing or Inter State Investigation Wing was created for the purpose of verification of declaration forms. The Department had also not issued any instructions to the Assessing Authorities to cross verify at least a certain percentage of the forms at the time of assessment and no training was imparted in the use of the TINXSYS facility with the result that there was no check on the correctness of the allowance of concessions/exemptions on the basis of these forms. Hence there was every possibility of leakage of Government revenue.

In reply to the audit observation, the Department stated that no fraudulent forms were produced before any Assessing Authority and no serious observations were reported. No dealers were blacklisted who were involved in misutilisation of declaration forms. The reply is not tenable as cross verification would enable detection of fraudulent declaration forms and prevent cases of tax evasion. Audit had come across cases of misutilisation of forms as reported in Para 5.2.7.5.

Compliance deficiencies

5.2.7.3 Irregular grant of concession on invalid 'C' statutory forms

As per the provision of the CST Act and the Rules made thereunder, the dealer who claims concessional rate of tax is required to obtain the declaration in form C marked as 'Original' from the purchasing dealer. The declaration is to be duly filled in and signed by the purchasing registered dealer to whom the goods are sold. With effect from October 2005 a single declaration in form C can cover transactions of sale which take place in a quarter of a financial year.

Test check of assessment records in five² wards revealed that in 27 cases involving 20 dealers for the years 2005-06 and 2006-07, concessional rates of tax were allowed on a total turnover of ₹ 22.72 crore on the strength of declaration forms which were not signed by the purchaser, transactions covered in a declaration form were for more than a quarter, there was absence

² Curchorem, Mapusa, Margao, Panaji, Vasco.

of bill-wise details, duplicate declaration forms were used instead of original or the figures of value of goods were written in pencil. The tax involved in such invalid/defective declaration forms was to the tune of ₹ 1.69 crore. The details are given in **Appendix 5.1**.

In reply to the audit observation, the Assessing Authorities in the five Ward offices stated that some of the forms where transactions of more than a quarter were covered in a single form were since replaced, that the omissions were merely technical since the transactions have actually taken place, wrong forms were submitted by oversight and the details of bills have since been furnished. The replies of the Assessing Authorities are not tenable as non compliance to the provision under Rule 12 of the CST (Registration and Turnover) Rules, 1957 cannot be written off by merely considering it to be a technical mistake and it was the primary responsibility of the Assessing Authorities to check and verify the accuracy and sufficiency of the information in the declaration forms before allowing concessional rate of tax which was not done in these cases pointed out by audit. However during the exit conference, the Commissioner of Commercial Taxes stated that the cases observed by audit would be examined and the defects would be allowed to be rectified by the dealers failing which the transaction would be taxed and demand raised.

5.2.7.4 Irregular grant of exemption on invalid 'F' forms

Under the CST Act read with the provisions of the Goa Value Added Tax (GVAT) Act/Rules, where any dealer claims that he is not liable to pay tax under the Act in respect of any goods on the ground that the movement of such goods from one state to another was occasioned by reason of transfer of title by him to any other place of his business and not by reason of sale, such claim is admissible subject to the submission of the original portion of the declaration in form F to the Assessing Authority within three months after the end of the period to which the declaration relates. If the dealer fails to furnish the declaration, then the movement of such goods shall be deemed to have been occasioned as a result of sale. The CST Rules also provide that a single declaration in form F may cover transactions effected during one calendar month only.

Audit scrutiny revealed that in the five Ward offices, 26 dealers were test checked for claiming exemption on F forms and nine cases of irregular exemption on invalid F forms were noticed in three wards by eight dealers involving tax of ₹ 2.20 crore covering transactions beyond one calendar month.

In reply to the audit observation the Assessing CTO stated that in one case notice for reassessment order was issued, in another case the additional forms were obtained and kept on record and in the remaining cases the omissions were merely technical as the transactions had actually taken place. The reply is not tenable as there is no provision in the CST Rules for replacement of form and non-compliance to provision in the CST Rules cannot be termed as a technical mistake.

The Commissioner of Commercial Taxes in the exit conference stated that the cases would be examined and the dealers would be reassessed. The details are in **Appendix 5.2**.

5.2.7.5 Results of cross verification of 'C' and 'F' forms

In order to detect evasion of tax and ensure the correctness of concessions/exemptions allowed to the dealers in assessments done by the Commercial Tax Department of the State, 1710 C forms and 713 F forms were cross verified from the records of the purchasing dealers of the issuing States. Details of audit findings as a result of cross verification are as follows:

- Two dealers, namely M/s. Esteem Industries and M/s. VIC Industries, which were stated to be sister concerns, had submitted 17 C forms, which covered sales of taxable goods during 2006-07, to claim concessional rates of tax under the Act. Cross verification of these forms with the utilisation statements furnished by the purchasing dealers revealed that the transaction figures were manipulated by selling dealers by adding one numeral before the actual figure of sales resulting in overstatement of the value of goods by ₹ 1.41 crore and tax evasion of ₹ 17.63 lakh.
- M/s. Esteem Industries was also among the seven dealers who had manipulated the transaction figures in 14 'C' forms. Cross verification of these forms revealed that the value of goods was overstated as compared to the value mentioned in the 'returns of utilisation details of declaration forms' submitted by the purchasing dealers to their respective commercial tax departments. The overstatement of the value of goods by ₹ 3.17 crore resulted in undue allowance of concessions in levy of tax of ₹ 32.28 lakh.
- M/s. Seahath Canning, registered in Margao, submitted 16 'F' forms which covered transfer of goods during the years 2005-06, 2006-07 and 2007-08. Cross verification of these forms revealed that the dealers to whom the goods were transferred against 12 'F' forms, were actually unregistered dealers. Hence the genuineness of these forms could not be verified. Transfer of goods to unregistered dealers and claim of exemption of tax against 'F' forms resulted in tax evasion to the tune of ₹ 42.89 lakh.
- Out of the 16 'F' forms submitted by M/s. Seahath Canning, two 'F' forms were declared as obsolete and invalid by the Mizoram Commercial Tax Department in May 2002 but exemptions for the years 2006-07 and 2007-08 were claimed and allowed resulting in tax evasion to the tune of ₹ 4.52 lakh. In case of the remaining two 'F' forms, it was observed that value of goods transferred was overstated in order to claim wrongful exemption from tax resulting in tax evasion to the tune of ₹ 1.90 lakh. Details are given in **Appendix 5.3**.

The provision under section 10 of CST Act 1956 states that if a person furnishes a declaration form which he knows or has reasons to believe to be

false, he is punishable with simple imprisonment which may extend upto six months or with fine or with both. As in the cases observed by audit, the dealers have furnished misleading information with an intent to evade tax, action u/s 10 or 10 A of the CST Act, 1956 was called for. The Assessing Authorities in their reply (June 2011) accepted the manipulation in 31 'C' forms however no penalty was levied and no additional demand raised. In case of 16 'F' forms where stocks were transferred to unregistered dealers, obsolete/invalid forms were submitted and transaction figures were manipulated, the Assessing Authorities stated that the cases would be examined. However, during the exit conference, the Commissioner of Commercial Taxes stated that all the cases would be re-examined and the dealers will be reassessed and penalised.

Thus, cross verification of forms revealed that the selling dealers had submitted false and misleading information and claimed wrongful concessions/exemptions in the levy of tax. The Assessing Authorities failed to scrutinise the claims and cross verify the transactions thereby resulting in irregular exemptions and concessions to the dealers and loss of revenue to the tune of ₹ 99.21 lakh.

5.2.8 Internal Audit and Internal Control

Internal audit is a vital component of the internal control mechanism which enables a department to assure itself that the prescribed internal controls are intended to provide reasonable assurance of proper enforcement of law, rules and departmental instructions. Internal control also helps in creation of reliable financial and management information system for prompt and effective services and for adequate safeguards against evasion of tax and other irregularities.

The Commissioner of Commercial Taxes, Goa has no Internal Audit Wing (IAW) functioning in the Department. Hence no periodical sampling and checking of the assessments done by the Assessing Authorities in the seven Ward offices is being done to detect cases of under assessments.

Audit scrutiny of five Ward Offices revealed that:

- exemptions/concessions were allowed against unsigned, invalid, incomplete and duplicate declaration forms without proper scrutiny.
- instructions were not given to the Assessing Authorities to maintain a Register and send periodical statements to higher authority showing the position of declarations forms pending for receipt, receipt of invalid/fake forms, or duplicate forms.
- the Assessing Authorities at the time of assessment of dealers do not cross verify the declaration forms with the records of the Commercial Tax Department of the purchasing dealers' State or carry out a physical sampling of forms by sending these to the concerned States for cross verification to ensure the genuineness of the forms and the correctness

of the claims made by the dealers for concessions/exemptions in the levy of tax in inter-state sales and branch transfers.

- Although proper caution was taken for the printing and receiving of forms in the Commissionerate and their issue to the Ward offices, the physical verification of declaration forms, as provided under Rule 192 (2) of General Financial Rules 2005, at the Central stores of the department was not done for the period from 1 April 2007 to 31 March 2010.

In reply to the audit observation, during the exit conference, the Commissioner of Commercial Taxes agreed that there was no Internal Audit Wing in the department and that cross verification of statutory forms was not done by the Assessing Authorities at the Ward level. It was further stated that the department had not noticed any fraudulent forms produced by the dealers and hence did not feel the need for cross verification. However, internal audit would be done regularly.

Thus the Department failed to institute a control mechanism for monitoring the assessments done which could ensure timely detection and correction of errors in assessment, levy and collection of tax under the CST Act.

5.2.9 Conclusion

The review revealed deficiencies in the management of assessment and collection of the Central Sales Tax. Deductions from turnover on inter-state sale and consignment sale were allowed without cross verification of prescribed declaration forms to ascertain whether the dealers who had submitted the forms were genuine or the value of goods shown therein was correct. Concessions/exemptions were allowed against unsigned, invalid, duplicate and incomplete forms without proper scrutiny and cross verification. Internal control in the Department was not adequate to safeguard government revenue.

5.2.10 Recommendations

The Government may consider taking the following steps to enhance the effectiveness of the mechanism for allowing concessions and exemptions on inter-state sales and branch transfers.

- Installing a system for scrutiny and cross verification of declaration forms by the Assessing Authorities before allowing exemptions and concessional rates of tax.
- Setting up an Internal Audit Wing in the Department to ensure timely detection and correction of errors in the assessment, levy and collection of revenue.

FINANCE DEPARTMENT

5.3 Irregular allowance of Input Tax Credit

Input tax credit of ₹ 25.24 lakh was allowed for purchases from unregistered dealer.

Input Tax Credit (ITC) is allowed to a dealer for purchases made locally from another registered dealer as per provisions of Section 9 of the Goa Value Added Tax Act, 2005 (Act) and the Goa Value Added Tax Rules, 2005 (Rules). Section 29(9) provides that where, the Commissioner has reason to believe that a dealer is liable to pay tax in respect of any period, but has failed to apply for registration, the Commissioner shall proceed to assess, to the best of his judgment, wherever necessary, the amount of tax due from the dealer in respect of such period and direct the dealer to pay by way of penalty, in addition, a sum not exceeding the amount of tax assessed.

Audit scrutiny of the assessments for the year 2005-06 and 2006-07 pertaining to a dealer, M/s S.R. Khandelwal & Sons Pvt. Ltd., Panaji (SRK), assessed in March 2008 and February 2010 respectively by Commercial Tax Officer (CTO), Panaji ward, revealed that the dealer was allowed ITC of ₹ 83.63 lakh for 2005-06 and ₹ 37.72 lakh for 2006-07. This included ₹ 9.11 lakh and ₹ 16.13 lakh respectively for purchases stated to be made from M/s Shree Communication System Pvt. Ltd., Panaji (SCS), a sister concern of SRK.

As per the assessment records of SRK, SCS had made sales of ₹ 2.28 crore and ₹ 4.03 crore to SRK in 2005-06 and 2006-07 respectively. Audit cross-checked the information with the assessment records of SCS, which was also assessed in the same ward, and found that SCS was not assessed for the year 2005-06 and for 2006-07 SCS had declared its turnover for the year 2006-07 as ₹ 2.59 crore which was accepted by the Assessing Authority. On being pointed out by audit (June 2010), the Department took up (January 2011) assessment of SCS for the year 2005-06 and re-assessment for the year 2006-07. It was observed that SCS did not possess a valid registration and therefore assessed it as an unregistered dealer for both the years. In addition to tax of ₹ 9.11 lakh and ₹ 16.13 lakh respectively for 2005-06 and 2006-07, ₹ 14.74 lakh was levied as penalty.

The Department should have verified whether SCS was a registered dealer before allowing SRK ITC on purchases made from SCS. Since at the time of transactions, SCS was neither a registered dealer nor assessed under Section 29(9) of the Act, the input tax credit allowed to SRK needs to be reversed and an amount of ₹ 25.24 lakh recovered.

The matter was referred to the Government (June 2011) and their reply is awaited.

REVENUE DEPARTMENT

5.4 Short levy of stamp duty and registration fees

Under valuation of land resulted in short levy of stamp duty and registration fee of ₹ 17.81 lakh.

In exercise of the powers conferred under Rule 4(4)(b) of the Goa Stamp (Determination of true market value of property) Rules 2003, the Revenue Department notified (January 2009) taluka-wise minimum land rates (base value) depending upon the settlement zone and area involved. The State Registrar had issued instructions (January 2009) to Civil Registrar-cum-Sub-Registrars (CRSR) to ensure that the value for registration of documents should not be less than the rates prescribed by the Government.

Audit scrutiny (May 2010) of records at CRSR, Salcete, Margao revealed that in four sale deeds registered between May 2009 and October 2009, the land was undervalued as the minimum value of land as notified by the Government in January 2009 was not considered. This resulted in short levy of stamp duty (₹ 10.61 lakh) and registration fee (₹ 7.20 lakh).

On this being pointed out in audit, the CRSR Salcete forwarded (May 2010) the documents under Section 47(1) of the Indian Stamp Act, 1899 to the Collector, South District for determination of the market value and collection of deficit Stamp Duty. The CRSR stated (March 2011) that the documents were returned by the Collector in June 2010 without taking any action. The CRSR further stated that there was no short levy of registration fee as it was charged on consideration and not on market value. The reply of CRSR is not tenable as the instructions of the State Registrar (January 2009) were not complied with.

The Collector again called (April 2011) for the four documents for examining the correctness of the market value and the stamp duty payable. The decision of the Collector is awaited.

The matter was referred to the Government (May 2011) and their reply is awaited.