

CHAPTER-IV

REVENUE RECEIPTS

4.1 Trend of revenue receipts

4.1.1 The Tax and Non-Tax revenue raised by the Government of Goa during the year 2012-13, 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	2008-09	2009-10	2010-11	2011-12	2012-13
1	Revenue raised by the State Government					
	• Tax revenue	1693.55	1762.34	2139.57	2551.02	2939.66
	• Non-tax revenue	1236.16	1731.20	2268.60	2313.54	1832.90
	Total	2929.71	3493.54	4408.17	4864.56	4772.56
2	Receipts from the Government of India					
	• Share of net proceeds of divisible Union Taxes and duties	415.44	427.42	584.21	680.59	777.21
	Grants-in-aid	183.12	179.31	449.56	235.58	295.66
	Total	598.56	606.73	1033.77	916.17	1072.87
3	Total revenue receipts of the State Government (1 and 2)	3528.27	4100.27	5441.94	5780.73	5845.48
4	Percentage of 1 to 3	83	85	81	84	82

(Source: Finance Accounts of the state)

The above table indicates that during the year 2012-13 the revenue raised by the State Government (₹ 4,772.56 crore) was 82 per cent of the total revenue receipts against 84 per cent in the preceding year. The balance 18 per cent of receipts during 2012-13 was from the Government of India.

4.1.2 The following table presents the details of Tax revenue raised during the period from 2008-09 to 2012-13:

(₹ in crore)

Sl No	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase(+) or decrease(-) in 2012-13 over 2011-12
1	Sales Tax/ VAT/Central Sales Tax	1131.64	1142.13	1380.05	1652.92	1577.42	(-)4.57
2	State Excise	88.70	104.46	139.16	182.03	212.90	(+)16.96
3	Stamp duty and registration fees						
	Stamps - Judicial	1.18	1.28	1.60	2.75	1.97	(-)28.36
	Stamps - Non-Judicial	67.11	67.66	89.13	105.22	405.80	(+)285.67
	Registration fees	47.08	42.31	61.07	75.82	116.65	(+)53.85
	Total	115.37	111.25	151.80	183.79	524.42	(+)185.34
4	Luxury Tax	66.32	65.33	88.30	97.02	106.41	(+)9.68
5	Taxes on vehicles	90.15	105.12	130.40	140.45	148.34	(+)5.62
6	Entertainment Tax	19.65	33.56	43.70	60.18	86.16	(+)43.17
7	Land revenue	9.39	10.61	8.32	8.38	11.13	(+)32.82
8	Taxes on goods and passengers	9.80	10.37	10.94	12.76	18.81	(+)47.41
9	Entry Tax	147.65	150.36	161.03	197.33	238.69	(+)20.96
10	Other Taxes and duties on commodities and services	14.88	29.15	25.87	16.16	15.38	(-)4.83
	Total	1693.55	1762.34	2139.57	2551.02	2939.61	

(Source: Finance Accounts of the State)

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

- Sales Tax/Central Sales Tax/VAT decreased by 4.57 per cent mainly due to less Tax collection under 'Central Sales Tax Act' and 'Value Added Tax'.
- State excise increased by 16.96 per cent mainly due to more receipts under Malt liquor, Foreign liquor and spirits, Medicinal and toilet preparation containing alcohol, opium etc. Indian Made Foreign liquor, Spirits etc.
- Stamp duty and Registration fees increased by 185.34 per cent due to significant growth in collection of stamps duty and registration fees.
- Other Taxes and duties on commodities and services decreased by 4.83 per cent mainly due to less receipts from cess under other Acts.

4.1.3 The following table presents the details of the major Non-Tax revenue raised during the period 2008-09 to 2012-13:

(₹ in crore)

Sl No	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase(+) or decrease(-) in 2012-13 over 2011-12
1	Power	986.70	941.30	969.06	1000.49	1139.97	(+)13.94
2	Non-ferrous mining and metallurgical industries	36.35	292.25	983.73	953.29	339.25	(-)64.41
3	Water Supply and Sanitation	65.76	70.38	69.60	86.11	97.99	(+)13.80
4	Interest receipts	20.45	13.64	17.88	26.36	18.37	(-)30.31
5	Major and Medium Irrigation	8.51	10.57	23.67	14.70	7.04	(-)52.11
6	Minor Irrigation	7.54	6.69	9.95	10.79	17.87	(+)65.62
7	Medical and Public Health	8.30	5.98	8.31	11.00	7.71	(-)29.91
8	Ports and Lighthouses	16.04	20.13	33.17	40.06	13.21	(-)67.02
9	Misc. General Services	--	259.88	19.45	27.46	32.52	(+)18.43
10	Other Administrative services	37.46	40.50	40.63	42.09	64.89	(+)54.17
11	Education, Sports, Art and Culture	9.24	10.96	12.75	16.18	26.94	(+)66.50
12	Others	39.81	58.92	80.40	85.01	67.14	(-)21.02
	Total	1236.16	1731.20	2268.80	2313.54	1832.90	

(Source: Finance Accounts of the State)

The following were the reasons reported by the concerned Departments for the variations:

- Receipts under non-ferrous mining and metallurgical industries decreased by 64.41 *per cent* mainly due to less receipt from mineral concession fees and royalties.
- Receipts from Interest Receipts decreased by 30.31 *per cent* due to less receipts from interest on investment of cash balances.
- Receipts from Major and Medium Irrigation decreased by 52.11 *per cent* mainly due to less receipts under 'Salauli' and 'Anjunem' projects.
- Receipts from Medical and Public health decreased by 29.91 *per cent* due to decrease in tuition and other fees.
- Receipts from Miscellaneous and General Services increased by 18.43 *per cent* mainly due to more sale proceeds of State Lotteries.

4.1.4 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 2012-13 is given in the following table:

(₹ in crore)

Sl No	Revenue head	Budget estimates of Receipts	Actual receipts	Variations increase (+) shortfall (-)	Percentage
Tax revenue					
1	Sales Tax/VAT	1955.00	1577.42	(-)377.58	(-)19.31
2	State Excise	211.23	212.90	(+)1.67	(+)0.79
3	Stamp duty and registration fees	408.98	524.42	(+)115.44	(+)28.23
4	Taxes on vehicles	154.72	148.34	(-)6.39	(-)4.13
5	Entertainment Tax	86.50	86.16	(-)0.34	(-)0.39
6	Land revenue	9.42	11.13	(+)1.71	(+)18.15
7	Luxury Tax	140.00	106.41	(-)33.59	(-)23.99
8	Taxes on goods and passengers	17.00	18.81	(+)1.81	(+)10.65
9	Entry Tax	266.00	238.69	(-)27.31	(-)10.27
Non-Tax revenue					
1	Non-ferrous mining and metallurgical industries	401.01	339.25	(-)61.76	(-)15.40
2	Power	1231.75	1139.97	(-)91.78	(-)7.45
3	Water Supply and Sanitation	90.57	97.99	(+)7.42	(+)8.19

(Source: Finance Accounts of the State)

The actual receipts in 2012-13 were less by 19.31 per cent, 4.13 per cent, 23.99 per cent and 15.40 per cent under Sales Tax, Taxes on vehicles, Luxury Tax and Non-ferrous mining and metallurgical industries respectively when compared with the budget estimates but higher than the budget estimates under Stamp duty and Registration fees, Land revenue and Water supply and Sanitation.

4.1.5 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 2010-11 to 2012-13 along with the relevant All-India average percentage of expenditure on collection to gross collections are given in the following table. The Performance grants resulted in the State being deprived of funds amounting to ₹ 21.20 crore.

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(₹ 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	2010-11	1380.05	7.99	0.58	0.75
		2011-12	1652.92	9.17	0.55	0.83
		2012-13	1577.42	11.77	0.75	-
2	State Excise	2010-11	139.16	7.75	5.57	3.05
		2011-12	182.03	8.85	4.86	2.98
		2012-13	212.90	9.54	4.48	-
3	Stamp duty and registration fees	2010-11	151.79	5.17	3.41	1.60
		2011-12	183.79	4.53	2.46	1.89
		2012-13	524.42	4.52	0.86	-
4	Taxes on vehicles	2010-11	130.40	2.48	1.90	3.71
		2011-12	140.45	2.49	1.77	2.96
		2012-13	148.34	2.68	1.81	-

During the years 2010-11 and 2011-12, 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 and registration fees was higher than the All India average.

The Government may explore possibilities for reduction in the collection charges of State Excise and Stamp duty and registration fees.

4.1.6 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 Head of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Head 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 Head of the Departments and the Government.

A review of IRs issued up to December 2012 disclosed that 383 paragraphs involving ₹ 196.72 crore relating to 120 IRs remained outstanding at the end of June 2013 as mentioned below along with the corresponding figures for the preceding two years.

	June 2011	June 2012	June 2013
Number of outstanding IRs	66	76	120
Number of outstanding audit observations	163	177	383
Amount involved (₹ in crore)	5.82	230.05	196.72

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 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
1	Finance	Sales Tax/VAT	13	43	12.95
		Entry Tax	10	23	1.90
		Luxury Tax	6	19	0.85
		Entertainment Tax	9	23	0.86
2	Excise	State Excise	15	42	0.38
3	Revenue	Land revenue	26	93	1.64
4	Transport	Taxes on motor vehicles	16	67	175.48
5	Stamps and Registration	Stamp Duty & Registration fee	25	73	2.66
Total			120	383	196.72

Even the first replies required to be received from the Head of offices within one month from the date of issue of the IRs were not received for 42 IRs issued up to December 2012. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Head of offices and Head 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 and taking action against officials/officers who did not send replies to the IRs/paragraphs as per the prescribed time schedules and those who did not take action to recover loss/outstanding demand in a time-bound manner.

4.1.7 Departmental audit committee meetings

No Audit committee meetings were held during the year 2012-13.

4.1.8 Response of the Departments to the draft audit paragraphs

The draft paragraphs/ Performance Audit Reports 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.

Five paragraphs and one Performance Audit Report proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2013 were forwarded to the concerned Secretaries during June - September 2013.

As no replies were furnished by the Government, the draft paragraphs were included in this Report without their replies.

4.1.9 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 September 2013 in respect of 12 paragraphs ranging from 16 to 39 months from the administrative Departments, as detailed below:

Department	Year of Audit Report	Date of presentation to the Legislature	Last date by which Departmental notes were due	No of paragraphs for which Departmental notes were due	Delay* (months)
Finance	2008-09	March 2010	June 2010	3	39
Transport	2008-09	March 2010	June 2010	1	39
Revenue	2008-09	March 2010	June 2010	1	39
Finance	2009-10	March 2011	June 2011	3	27
Revenue	2009-10	March 2011	June 2011	1	27
Finance	2010-11	February 2012	May 2012	2	16
Revenue	2010-11	February 2012	May 2012	1	16

* Excluding the months in which these were due

4.1.10 Compliance with the earlier Audit Reports

In the Audit Reports 2007-08 to 2011-12, 1,342 cases of non-assessments, non/short levy of Taxes *etc.*, were included involving an amount of ₹ 125.76 crore. Of these, as of June 2013, the Departments concerned have accepted 248 cases involving ₹ 22.95 crore and recovered ₹ 24.56 lakh in 242 cases. Audit Report-wise details of cases accepted and amounts recovered are as under:

Audit Report	Included in the Audit Report		Accepted by the Department		Recovered	
	No. of cases	Amount (₹ in lakh)	No. of cases	Amount (₹ in lakh)	No. of cases	Amount (₹ in lakh)
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
2010-11	45	546.13	2	14.45	2	14.45
2011-12	5	132.20	3	61.88	-	-
Total	1342	12575.85	248	2294.52	242	24.56

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

4.1.11 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 4.1.12 to 4.1.13 discuss the performance of the Excise 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 2002-03 to 2011-12.

4.1.12 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 2013 are tabulated below:

(₹ in lakh)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2008-09	2	2	5.00	-	-	-	1	-	-	1	2	5.00
2009-10	2	4	5.62	-	-	-	-	-	1.62	2	4	4.00
2010-11	2	3	0.22	-	-	-	-	-	-	2	3	0.22
2011-12	4	14	13.88	-	-	-	-	7	4.23	4	7	9.65
2012-13	-	-	-	6	24	164.61	2	5	6.21	4	19	158.40

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

4.1.13.1 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
2002-03	1	13.50	-	-	-	-
2003-04	-	-	-	-	-	-
2004-05	-	-	-	-	-	-
2005-06	1	4.08	1	4.08	4.08	4.08
2006-07	2	35.91	2	35.91	-	39.99
2007-08	1	44.06	-	-	-	-
2008-09	1	-	-	-	-	39.99
2009-10	-	-	-	-	-	39.99
2010-11	-	-	-	-	-	39.99
2011-12	-	-	-	-	-	39.99

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.

4.1.14 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 2012-13, the audit universe comprised of 182 auditable units, of which 56 units were planned and audited during the year 2012-13 which is 30.77 *per cent* of the total auditable units.

Besides the compliance audit mentioned above, a Performance Audit on Levy and collection of Stamp Duty and Registration fee was conducted to examine the efficacy of the system in the Registration Department.

4.1.15 Arrears in assessments

There were no arrears in VAT assessments at the end of 2012-13 as informed by the Commercial Taxes Department.

4.1.16 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2012-13, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2013 are as follows:

Opening balance	No. of appeals filed during 2012-13	Total	No. of appeals disposed of during the year	Balance as on 31 March 2013	Percentage of cases disposed of to total number of cases
1191	584	1775	384	1391	22

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

4.1.17 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 Commissioner of Excise reported that the number of cases booked for the year 2012-13, cases finalised and additional tax raised were as follows:

	Number of cases
A. (i) Cases pending as on 1 April 2012	289
(ii) Cases detected during the year 2012-13	203
B. Cases in which investigations/assessments were completed during the year	159
C. Cases pending as on 31 March 2013	333

4.1.18 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 2012-13 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	4	7	Inadequate staff
Registration	13	Nil	13	Accountant post vacant
Excise	-	-	-	-

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

4.1.19 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 2012-13 revealed under assessment/short levy/loss of revenue amounting to 12.80 crore in 63 cases. The Department accepted under assessment in 13 cases pointed out in earlier years and recovered ₹ 19.73 lakh and short assessment of ₹ 10.47 lakh in five cases pointed out during the year and recovered ₹ 30.20 lakh as of June 2013 in these 18 cases. No replies have been received in respect of the remaining cases.

4.1.20 This chapter

This chapter contains one performance audit report on 'Levy and collection of Stamp duty and Registration fee' and five paragraphs (selected from the audit detections made during the local audit referred to above).

REGISTRATION DEPARTMENT

4.2 PERFORMANCE AUDIT ON LEVY AND COLLECTION OF STAMP DUTY AND REGISTRATION FEE

Highlights

- *Computerisation in the Department got inordinately delayed mainly due to the lackadaisical attitude of the Department. Out of nine offices in which hardware was installed in August 2011, the scheme was inaugurated in four offices only in July 2013 and in five offices it is yet to be inaugurated.*

(Paragraph 4.2.6.1)

- *Special committee for fixing the value involving transfer of land exceeding one lakh Sq. Mtrs. notified by the Government in February, 2009 was constituted only in January, 2013. The registering authorities could not take any action against undervaluation of transactions involving land exceeding one lakh sq.mtrs.*

(Paragraph 4.2.6.2)

- *Though the Government formulated and notified rules in June, 2003 for fixation and annual revision of locality-wise minimum true value of properties, the values fixed in 2003 were not revised till 2013 facilitating undervaluation of properties.*

(Paragraph 4.2.6.3)

- *Documents showing market value of properties below the minimum true value fixed by the Government were registered. The short levy of stamp duty in 11 cases amounted to ₹ 12.18 lakh.*

(Paragraph 4.2.6.4)

- *Ownership of properties was transferred by agreement for sale with possession. The stamp duty evaded in respect of 875 cases of agreements for sale with possession registered with three Sub-Registrar offices during 2010-2012 amounted to ₹ 4.98 crore.*

(Paragraph 4.2.6.5)

- *Re-transfer ownership of properties acquired by “agreement for sale” was allowed without concluding the sale deed. Evasion of stamp duty in respect of 18 such cases amounted to ₹ 39.10 lakh.*

(Paragraph 4.2.6.6)

- *Agreement for sale with power of attorney resulted in evasion of stamp duty and registration fee amounting to ₹ 44.70 lakh.*

(Paragraph 4.2.6.7)

- *Two transactions were split into four each to avoid payment of stamp duty at higher rate, resulting in evasion of stamp duty and registration fee totaling ₹ 10.91 lakh.*

(Paragraph 4.2.6.8)

- *The registering authority's inaction to demand stamp duty and registration fee calculated on higher value in a case of undervaluation, resulted in short levy of revenue amounting to ₹ 21.00 lakh.*

(Paragraph 4.2.6.9)

4.2.1 Introduction

The Indian Stamp Act, 1899 and the Indian Stamp (Goa, Daman and Diu Amendment) Act, 1968 as modified from time to time and the rules made thereunder govern the levy and collection of stamp duty on various instruments. Similarly, the Indian Registration Act, 1908 and the Goa, Daman and Diu Registration Rules, 1965 as modified from time to time govern the levy and collection of revenue under registration fees.

The Registration Department with its twelve offices of Civil Registrars-Cum-Sub Registrars (CRSR), in each Taluka, Office of the State Registrar-cum-Head of Notary Services at Panaji and two offices of the District Registrars of North Goa and South Goa, deal with registration of documents with the special duty to permanently preserve the same for making authentic certified copies therefrom in future.

4.2.2 Organisational set up

The Law Secretary is the Head of the Registration Department for the whole of the State of Goa and as ex-officio Inspector General of Registration. The State Registrar-cum-Head of Notary Services is the Head of Office and there are CRSRs in each of 12 Talukas of the State. The work in the CRSRs is co-ordinated by the two District Registrars, viz. District Registrar, North and District Registrar, South.

4.2.3 Audit objectives and Criteria

(i) Audit objectives

The performance audit was aimed to ascertain whether –

- the levy and collection of stamp duty and registration fee was done correctly;
- adequate and appropriate rules were made by the State Government to implement the provisions of Indian Stamp Act, 1899 and the Registration Act, 1908 with regard to levy and collection of stamp duty and registration fee;
- an adequate and effective internal control mechanism existed in the Department to prevent leakage of revenue.

(ii) Audit criteria

The audit criteria are derived from the provisions of the following acts, rules and amendments made thereunder to govern the levy and collection of stamp duty and registration fee:

- The Indian Stamp Act, 1899;
- Indian Stamp (Goa, Daman and Diu Amendment) Act, 1968;
- The Indian Registration Act, 1908;
- The Goa, Daman and Diu Registration Rules, 1965.

4.2.4 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the State Registrar cum Head of Notary Services and all the officers and staff of the Registration Department in providing information and records for audit.

4.2.5 Scope and methodology of Audit

The Performance audit covered the period from 2007-08 to 2011-12 and was conducted between April and September 2013. Scope of the Performance audit contained levy and collection of stamp duty and registration fee on transfer of properties as per rates prevalent as shown in *Appendix 4.1*.

During the performance audit, test check was conducted in five out of 12 registering offices to verify the system prevailing in the Department for levy and collection of stamp duty and registration fees in respect of transactions of immovable properties, enforcement of the provisions of the acts and rules, maintenance of records *etc.* Information on the transactions have been obtained by scrutiny of day books maintained by the registering authorities and from the computerised data made available by the Department. The methodology of the Performance Audit was discussed with the State Registrar and the Secretary (Law) during the entry conference held on 16 April, 2013.

4.2.6 Audit findings

4.2.6.1 Computerisation in the Registration Department

Computerisation of the Registration Department was taken up as a Scheme of Ministry of Information Technology, Department of Information Technology, Government of India as a part of National e-Governance Plan (NeGP). The procurement and installation of hardware including networking was done by the Department of Information Technology, Goa and the “Goa Valuation and e-Registration Software (GAURI)”, has been designed, developed and installed by CDAC, Pune.

Audit scrutiny of the records made available to Audit by the Information Technology Department and the office of the State Registrar cum Head of Notary Services, pertaining to the implementation of the project revealed that the Department did not have any time-bound plan of action for computerisation. Though the work of computerisation of the Department had started in July 2008, only seven out of 14 CRSR offices have been computerised as of July 2013. The office-wise progress of computerisation is as under:

Sl. No.	Taluka (Office of CRSR)	Date of installation of hardware	Date of inauguration of the scheme
1	Bardez	--	10.07.2008
2	Margao	--	05.11.2009
3	Ilhas	--	18.11.2010
4	Sanguem	August 2011	24.07.2013
5	Quepem	August 2011	24.07.2013
6	Marmugao	August 2011	25.07.2013
7	Pernem	August 2011	26.07.2013
8	Dharbandoda	August 2011	Will be rolled out in 3 rd phase
9	Valpoi	August 2011	-do-
10	Canacona	August 2011	-do-
11	Dist.Registrar North Goa	August 2011	-do-
12	Dist.Registrar South Goa	August 2011	-do-
13	Ponda	Not yet installed due to space constraint	
14	Bicholim	-do-	

Audit observed that there was no prompt and speedy action from the Registration Department though the Information Technology Department has been writing to them on various crucial issues connected with computerisation programme as highlighted below:

- Migration of GAURI software to centralised server as the present system based on client server architecture was not facilitating intra/inter-departmental data transfer and decision support system, generating Management Information System (MIS) reports, carrying out mutation process, *etc*;
- Entering into Annual Maintenance Contract with CDAC;
- Appointment of technical staff required to maintain the system, *etc*;

Though the proposal for maintenance of GAURI software was submitted by CDAC in July, 2012 with a validity period of 30 days from the date of submission, the Registration Department is yet to sign the Annual Maintenance Contract (AMC).

After this was pointed out, the Government stated (October 2013) that due to Administrative reasons the computerisation has been delayed and appropriate action will be taken to computerise the remaining offices at the earliest. Further it was stated that as regards AMC, it is in final stage and as regards appointment of Technical Staff, Information Technology Department has already deputed one Technical Assistant to this Department and also creation of the post of Technical Assistant is in process.

The fact, however, remains that out of nine offices where hardware was installed in August, 2011 it took two years for inauguration in four offices and is yet to be inaugurated in five offices (January 2014).

4.2.6.2 Delay in constitution of special committee for valuation of land

As per the Government notification dated 9 January 2009 (published in official gazette on 5 February 2009) the minimum market value in case of transactions involving land admeasuring more than one lakh sq. mtrs. in Goa was to be fixed by a Special Committee appointed by the Government. However, the

committee was constituted only in January 2013, i.e. after a delay of 4 years. Thus during February 2009 to December 2012, there was no effective system to check valuation in respect of transactions of land involving more than one lakh sq. mtrs.

Thirty six cases of sale deeds/agreements for sale involving more than one lakh sq. mtrs. of land had been registered by various registering authorities in the State during February 2009 to March 2013 and 35 cases could not be referred to the Committee due to its non-constitution. Audit observed that in seven cases pertaining to CRSR Ponda out of the above 35 cases, the consideration amount was less than the minimum market value notified in June 2003¹ by the Government. Stamp duty of ₹ 26.52 lakh in these seven cases was paid on the consideration amount of ₹14.19 crore mentioned in the documents. The market value of the property as per the minimum rate fixed by the Government was ₹ 25.77 crore and stamp duty involved was ₹ 77.31 lakh as detailed in Table 1 below:

Table 1

Sl. No.	Regn. No.	Village	Minimum market value of land as per Govt. rate (₹)	Area (M ²)	Consideration Amt. (₹ in lakh)	Stamp duty paid (₹ in lakh)	Market value to be considered as per minimum rate of land (₹ in lakh)	Stamp duty leviable on minimum market value (₹ in lakh)	Short levy of Stamp duty (₹ in lakh) (9-7)
1	2	3	4	5	6	7	8	9	10
1	2069/09	Bethora, Ponda	200	285675	38.00	0.95	571.35	17.14	16.19
2	2048/10	Bethora, Ponda	200	285675	20.00	0.48	571.35	17.14	16.66
3	2659/10	Curti, Ponda	200	123075	97.00	2.42	246.15	7.38	4.96
4	2793/10	Priol, Ponda	150	140000	140.00	4.20	210.00	6.30	2.10
5	783/12	Shiroda, Ponda	200	189300	763.01	7.64	378.60	11.36	3.72
6	2224/12	Usgao, Ponda	300	128625	160.78	4.83	385.88	11.58	6.75
7	2390/12	Savoi Verem, Ponda	100	213766	200.00	6.00	213.77	6.41	0.41
Total					1418.79	26.52	2577.10	77.31	50.79

Since the area of the land in the above cases were more than one lakh sq.mtrs. the valuation of these cases were required to be scrutinised by the special committee. Non-constitution of the special committee resulted in forgoing of revenue on the amounts of undervaluation. The revenue forgone in respect of above seven cases amounted to ₹ 50.79 lakh.

After this was pointed out, the Government stated that though the Government of Goa had notified formation of the committee on 05 February, 2009 in the Official Gazette, it was constituted only in January 2013. As such the registering authorities were unable to refer the said cases to the committee.

¹ The average minimum value of land was notified by Government for each Village vide notification of June, 2003.

Thus, the delay in constitution of the special committee notified by the Government, did not permit the registering authority to take any action to safeguard the revenue even in the case in which the declared value on which stamp duty paid was as low as ₹ seven per sq.mtr. as against the minimum value of ₹ 200 per sq.mtr² fixed by the Government in June, 2003.

4.2.6.3 Forgoing of revenue due to non-revision of minimum market value of land

The Goa Stamp (Determination of True Market Value of Property) Rules, 2003 notified by the Government in June, 2003 stipulated that the Government shall notify the annual statement of rates showing average rates of land situated in every taluka, under the heads “urban, developing, coastal, rural and similar areas” on the first day of January every year. Accordingly the village-wise minimum land rates were notified in June 2003. The rates were not revised till December, 2012.

The State Government notified (January 2013) revised village-wise minimum land rates applicable for the years 2013 and 2014, under sub-rule 3 of Rule-4 of the Rules. As per the new rates, the increase was 100 *per cent* (from ₹ 2,500 to ₹ 5,000 per sq.mtr) in Panaji City-1 and by 1,900 *per cent* (₹ 250 to ₹ 5,000 per sq.mtr) in Marra village.

The inaction of the Government to revise the land rates annually after the year 2003 has resulted in revenue loss to the Government.

The Government has not furnished any reason for non-revision of the rates annually for almost ten years. Revision of rates to be made applicable for two years by one order is also not in conformity with the existing law which makes it mandatory for the rates to be notified annually. The reasons for delay in revision of the rates needs to be investigated and a system for revision of the rates annually as per provisions of the rules needs to be developed.

4.2.6.4 Short levy of revenue due to application of lower land value

Rule 4(6) of the “Goa Stamp (Determination of True Market Value of Property) Rules, 2003” notified by the Government in June 2003, stipulated that every Registering Officer shall, while registering any instrument produced before him for registration, verify the market value of land from the statement of rates fixed and if the market value as stated in the instrument was less than the minimum value prescribed in the statement, he shall refer the same to the Collector for determination of the true market value of the property.

Test check of the documents revealed that eleven documents with consideration amounts lesser than the minimum value fixed by the Government in 2003 were registered and stamp duty levied on such values even during the years 2010 and 2011. A few illustrative cases are shown in Table 2 below:

² Transaction at Sl.No. 2 of Table 1 in which stamp duty was paid on the consideration value of ₹ 20 lakh for sale of land admeasuring 2,85,675 sq.mtrs. in Bethora Village, Ponda Taluka.

Table 2

Sl. No.	Regn. No.	Area (M ²)	Consideration Amount (₹ in lakh)	Rate of land as per Govt's minimum true value (₹)	Market value to be considered as per Govt's minimum rate (₹ in lakh)	Stamp duty actually paid (₹ in lakh)	Stamp duty leviable on minimum true market value (₹ in lakh)	Short levy of Stamp duty (₹ in lakh) (8-7)
1	2	3	4	5	6	7	8	9
1	2659/10	123075	97.00	200	246.15	2.42	7.38	4.96
2	2793/10	140000	105.00	150	210.00	4.20	6.30	2.10
3	218/11	40390	34.06	200	80.78	0.81	2.43	1.62
4	2698/10	20120	40.00	200	40.24	0.60	1.21	0.61
5	2328/10	16707	17.00	200	33.41	0.34	1.00	0.66
6	1639/10	19140	18.00	150	28.71	0.60	0.86	0.26
7	1153/10	35500	9.00	75	26.63	0.11	0.80	0.69
8	679/11	24300	7.02	100	24.30	0.14	0.73	0.59
9	2048/10	11903	20.00	200	23.81	0.48	0.71	0.23
10	2550/10	11903	14.88	200	23.81	0.48	0.71	0.23
11	2552/10	11903	14.88	200	23.81	0.48	0.71	0.23
Total								12.18

Registering the documents without insisting for stamp duty on minimum value fixed by the Government resulted in a revenue loss of ₹ 12.18 lakh in the above 11 cases alone.

The Government replied (October 2013) that all the eleven cases have been referred to the Collector for further necessary action. Final outcome in the matter was awaited (January 2014).

4.2.6.5 Non-realisation of stamp duty in respect of “agreements for sale with possession”

The rate of stamp duty for conveyance of property by sale deed ranged from two to three *per cent* of the market value as detailed in *Appendix 4.1*, while the stamp duty for agreements for sale was only one *per cent*. However as per the Indian stamp Act if the possession of the property was delivered or agreed to be delivered the stamp duty shall be charged at conveyance rates.

An analysis of computerised data pertaining to three registration offices made available by the Department to Audit revealed that 875 documents have been registered as “agreements for sale with possession”. The office-wise details thereof and the balance stamp duty involved are shown below:

Name of CRSR office	Period for which data analysed	No. of documents registered as “agreement for sale with possession”	Total amount of consideration/ market value (₹)	Stamp duty payable on sale deed (₹ in lakh)	Stamp duty paid (₹ in lakh)	Balance Stamp duty receivable (₹ in lakh) (5-6)
1	2	3	4	5	6	7
Ilhas,	Aug-2010	149	9976.95	257.57	105.37	152.20
Panaji	to Mar-12					

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Bardez, Mapusa	Jan-2010 to Mar-12	150	6208.91	158.96	62.04	96.92
Salcete, Margao	2010-2012	576	17357.19	423.25	174.27	248.98
Total		875	33543.05	839.78	341.68	498.10

Recitals of agreements revealed that full payments of consideration were made against the agreements and the buyers got the actual possession of the property. A few cases are mentioned below:

(₹ in lakh)

Sl. No.	Registration No. & Date	Registering authority	Consideration amount	Stamp duty paid	Stamp duty payable	Balance Stamp Duty (6-5)	Status of payment of value/possession of property as stated in the document
1	2	3	4	5	6	7	8
1	BRZ-BK-1-04812-2010,CD-109 dt.23-12-2010	Bardez	450.00	4.50	13.50	9.00	Full consideration paid and possession given
2	PNJ-BK-1-01262-2011,CD-8 dt. 06-5-2011	Ilhas	300.00	3.00	9.00	6.00	Full consideration paid
3	BRZ-BK-1-0214-2011,CD-144 dt.09-03-2011	Bardez	52.00	0.52	1.30	0.78	Purchaser got possession of the property
4	PNJ-BK-1-01423-2011,CD-8 dt. 20-5-2011	Ilhas	153.26	1.54	4.59	3.05	Full consideration paid
5	MGO-BK-1-01761-2010,CD-13	Margao	49.33	0.49	0.98	0.49	Full consideration paid
6	BRZ-BK-1-00212-2011,CD-117 dt.13-01-2011	Bardez	170.00	3.40	5.10	1.70	Purchaser got possession of property

In view of the fact that the transaction is effectively concluded when the seller gets full value and the buyer gets possession of the property, the registering authority should have charged the stamp duty at the conveyance rates. This resulted in short levy of stamp duty amounting to ₹ 4.98 crores. Besides there was no system to ensure that the final sale deeds were executed by concerned parties.

4.2.6.6 Re-transfer of ownership of properties acquired by agreement for purchase avoiding execution of sale deed

Rule-40(c) of the Goa, Daman and Diu Registration Rules, 1965 stipulates that when the documents pertaining to transfer of ownership of properties are presented for registration, the registering authority has to verify whether the document was presented by a competent person.

Test check by Audit revealed that in transactions relating to 18 properties acquired by purchasers by agreement for sale only, were sub-divided or built upon and transferred to third parties as detailed in **Appendix 4.2**. The recitals of the agreements for sale between second and third parties revealed that the third parties were making payments of consideration to the second parties

without any involvement of the first parties. This indicated that the second parties exercised full ownership rights on such properties even though no sale deeds were executed between the first and second parties.

While such transfers of properties defeated the provision of the above rule, it also resulted in loss of revenue due to clear avoidance of execution of conveyance deed between the first party and the second party. As the second parties in the cases were not required to execute sale deeds with the first parties, the balance stamp duty due against registration of sale deed amounting to ₹ 39.10 lakh for the transaction between the first and second parties as shown in the *Appendix 4.2* cannot be realised.

The Department also accepted the Audit contention that there was no track to ensure execution of sale deeds after the execution of agreement for sale. However, it was stated that by a new amendment³, *i.e.* Indian Stamp (Goa Amendment) Act, 2013 published in official gazette of 22 May 2013, this issue has been taken into consideration and hence there will be no evasion of stamp duty and registration fee in future.

4.2.6.7 Evasion of stamp duty by transfer of possession by power of attorney

Test check by Audit revealed that ownership of a property admeasuring 8,180.50 sq.mtrs of land was effectively transferred for a consideration of ₹ 14.90 crore, based on agreement to sale together with a separate irrevocable power of attorney, as detailed below:

An 'Agreement for sale' of the property was entered into between two firms *viz.* M/s. Reis Magos Estates Pvt. Ltd. (vendedor) and M/s. Corniche Land Pvt. Ltd. (purchaser) and was registered with the CRSR Bardez, Mapusa on 03 July, 2008.

Full consideration amount of ₹ 14.90 crore was paid to the sellers of the property on the date of agreement itself. The stamp duty at the rate of one *per cent* amounting to ₹ 14.90 lakh and registration fee amounting to ₹ 50 only was paid. Though the final sale deed was to be executed within six months, *i.e.* before 03 January 2009 as per the recital of the agreement, it was not executed till date as confirmed by the Registering Authority in November 2013.

However, it was seen from the recital of the agreement that an irrevocable power of attorney was also executed by the seller on the same date giving full power and authority to the authorised signatory of the purchaser to sign and execute the deed of sale by presenting it before the sub-registrar and collect the sale deed on its registration.

The Government stated (October 2013) that the power of attorney stipulated a time period of six months for execution of the sale deed in favour of purchaser and if the purchaser failed to execute the sale deed in his favour within stipulated time period then the said power of attorney could not be utilised to transfer the title of the property to the purchaser. It further stated that by virtue of said power of attorney the said purchaser cannot transfer the said property in part or full to a third party since he has not acquired the ownership of the said property and thus the question of evasion of stamp duty by transfer of possession by power of attorney does not arise.

³ The rate of stamp duty on agreement for sale has been raised from one *per cent* to 2.9 *per cent*.

The reply of the Government is incorrect as failure to execute the sale deed within six months will negate the 'Agreement to sale' between the vendor and purchaser and not allow transfer of clear title to the purchaser. Also, as the agreement was executed subsequent to the power of attorney, the clauses in the agreement to sale would supersede the clauses in the power of attorney.

The purchaser of property has paid full consideration of ₹ 14.90 crore on the date of agreement to the vendor. The balance stamp duty (₹14.90 lakh⁴) and registration fee (₹ 29.80 lakh⁵) stands recoverable from the purchaser.

4.2.6.8 Evasion of stamp duty by splitting of transactions

The rate of stamp duty and registration fee prevailing in August 2012 for registration of sale deeds with value above ₹ one crore was three *per cent* and five *per cent* respectively, whereas it was only two *per cent* and three *per cent* respectively for transactions valuing upto ₹ 50 lakh.

Eight sale deeds were executed by the seller of a property on 13 August, 2012 in favour of two different parties, *viz.* Shri Sadiq Sheikh and Shri A.F.C. Pinto. Four documents each were executed in favour of both parties. Each of the documents was for sale of land admeasuring 75,921.875 sq.mtrs for a consideration of ₹ 45.55 lakh. As the value in each document was below ₹ 50 lakh, stamp duty at the rate of 2 *per cent*, amounting to ₹ 0.91 lakh and registration fee at the rate of 3 *per cent*, amounting to ₹ 1.37 lakh were levied against each document. Thus the total stamp duty and registration fee levied and paid amounted to ₹ 7.28 lakh and ₹ 10.96 lakh respectively.

Scrutiny of documents revealed that the sale of one piece of land admeasuring 6,07,375 sq.mtrs. was made to two parties. These two transactions involving sale of 3,03,687.50 sq. mtrs. of land was for a consideration of ₹ 182.20 lakh each. Splitting of the transactions into four parts facilitated evasion of one *per cent* stamp duty and two *per cent* registration fee. Had the transactions been registered as one each instead of four, the total stamp duty and registration fee leviable would have been ₹ 10.93 lakh and ₹ 18.22 lakh respectively. Thus, the total loss of revenue due to splitting the two transactions into four each amounted to ₹ 10.91 lakh.

After this being reported, the Government stated (October 2013) that the matter will be intimated to the Collector who is the proper authority to investigate the same under the Indian Stamp (Goa, Daman and Diu Amendment) Act, 1975.

4.2.6.9 Short realisation of revenue due to under valuation of property

As per Rule 4 (6) of the "Goa Stamp (Determination of true market value of property) Rules, 2003", notified in June 2003, every registering officer shall, while registering any instrument produced before him for registration, verify the market value of land from the statement of minimum value of rates fixed by the Government and if the market value as stated in the instrument is less than the minimum value prescribed, he shall refer the same to the Collector for determination of the true market value of the property.

⁴ Rate of stamp duty for deed of sale prevailing in July 2008 was two *per cent*, of which one *per cent* was paid against registration of agreement for sale.

⁵ Registration fee was two *per cent*, of which ₹ 50 only was paid which was the rate of registration fee for "Agreement to sale without possession".

Three sale deeds were registered between a vendor M/s. Reis Magos Estate Pvt. Ltd. and a buyer M/s. Prestige Structures Pvt. Ltd. in Panaji CRSR office on 20 May 2011 as detailed below:

Sl.No.	Registration Number	Area (M ²)	Consideration amount (₹ in lakh)	Stamp Duty paid (₹ in lakh)	Regn. Fee paid (₹ in lakh)	Rate of land per M ² (₹)
1	PNJ-BK1-01423-2011	91957.50	153.26	1.54	3.07	167
2	PNJ-BK1-01424-2011	91957.50	153.26	1.54	3.07	167
3	PNJ-BK1-01425-2011	30653	94.41	0.95	1.88	308
Total		214568	400.93	4.03	8.02	

Scrutiny revealed that the three sale deeds had the same survey number and thus the entire property was one piece of land. However, though the transactions were between the same parties on the same date, the rates shown in two documents were only ₹ 167 per sq. mtr. while in the third document it was shown as ₹ 308 per sq.mtr. The values adopted in the first two transactions were lower than the minimum land value of the area fixed by the Government which was ₹ 260 per sq.mtr.

The registering authority should have levied stamp duty and registration fee on the higher value, *i.e.* at the rate of ₹ 308 per sq.mtr. for these two sale deeds also. In the event of their refusal to accept such demand, the registering authority could refer the case to the Collector, as required under rules. As the transactions were pertaining to the same property, between the same parties and registered on the same date, there was no justification for the registering authority to accept three documents with different rates without resorting to any remedial action. The inaction of the registering authority to demand stamp duty and registration fee on the basis of ₹ 308 per sq.mtrs. in two documents resulted in short levy of revenue amounting to ₹ 21.00 lakh as shown below:

(₹ in lakh)

Total Market value to be considered @ ₹ 308/- per Sq.mtr.	Stamp duty leviable on total value @ 3%	Regn. Fee leviable on Total value @ 2 per cent ⁶	Stamp Duty paid	Regn. Fee paid	Short levy of Stamp duty (2-4)	Short levy of Regn. Fee (3-5)	Total amount of short levy (6+7)
1	2	3	4	5	6	7	8
660.87	19.83	13.22	4.03	8.02	15.80	5.20	21.00

The Government stated (October 2013) that the matter will be intimated to the Collector who is the proper authority to investigate the same under the Indian Stamp (Goa, Daman and Diu Amendment) Act, 1975.

⁶ Prevailing rate of registration fee was 2 per cent in the year 2011.

4.2.6.10 *Non-fixation of minimum true market value for constructed premises*

Though the Government has fixed minimum true market value in respect of open lands, it has not fixed any minimum value to be considered in respect of the constructed structures in the State for the purpose of levy of stamp duty and registration fees under Indian Stamp Act, 1899 and Indian Registration Act, 1908. As a result the purchasers of constructed properties such as flats and shops are able to declare only the value of undivided share of land on which the building is constructed without adding the cost of construction, resulting in considerable evasion of stamp duty and registration fee besides many other related consequences such as investment of unaccounted money in real estate, avoidance of payment of Income Tax *etc.*

The State Registrar replied (October 2013) that the matter has been referred to the Government for taking suitable action and the Government has already started the process of fixing the market value for built up area.

4.2.6.11 *Internal control and monitoring*

Audit observed that the registering authorities were not maintaining any register having basic and important details such as area involved in the transaction, village, survey number, zone, minimum true value of property applied *etc.* Though Day Book is the basic register maintained by the Department, it also does not contain the above details and it does not provide any track to link the agreements with corresponding sale deeds. As the documents are voluminous and not written in any specific prescribed format, checking the documents for such details is very tedious and time consuming. Thus, there is no effective system in the record maintenance to easily ascertain the correctness of stamp duty and registration fee to find whether an agreement for sale progressed to a deed of conveyance by payment of stamp duty and registration fee. Besides, extracting the relevant data for various future purposes also is very tedious as it can be extracted only by scrutiny of the deed documents.

The Department may put in place a system to ensure that the correct payment of stamp duty and registration fee and execution of sale deeds after the sale agreements and annual revision of land rates is monitored at apex level by way of prescribing the returns. The maintenance of records at present is inadequate and have aided parties to evade current payments of revenue due to the Government. The day book and computerised data must serve as a means for registering authorities to detect cases of evasion.

The Government accepted the audit contention and stated (October 2013) that the recommendations made by Audit in the draft report will be complied on war footing by instructing the C-DAC to update the software.

4.2.7 Conclusion

Though the Government of Goa notified the “Goa Stamp (Determination of True Market Value of Property) Rules, 2003” in June 2003 in exercise of the powers conferred by the Indian Stamp Act, 1899 which envisaged revision and fixation of the revised minimum value of properties on the 1 day of January every year, the rates fixed in the year 2003 was not revised till January 2013. This facilitated registration of transactions of properties by showing values considerably lesser than the actual market values. Besides, the loopholes in the rules and the deficiencies in the system of record maintenance in the Department facilitated evasion of stamp duty and registration fees by adopting various *modus-operandi*, such as transfer of ownership of properties by only agreement for sale together with power of attorney, splitting of transactions to avoid crossing of the threshold limits of higher rates of stamp duty *etc.* The progress of computerisation in the Department was extremely slow, which further hampered streamlining of the systems in the Department.

4.2.8 Recommendations

- Computerisation in the Department must be completed at the earliest to streamline and harmonise the system of registration and maintenance of documents, to allow correct levy and collection of revenue.
- Sufficient and appropriate provisions should be made in computer programme for generating need based Management Information System (MIS) Reports, besides automatic linking of multiple registrations affecting the same property of agreements for sale, sale deeds *etc.*
- All cases of suspected undervaluation must be referred to the Collector as required under law.
- Provisions in the Government statute for notification of values of land on annual basis must be enforced.
- Action should be taken for strict implementation of the Government’s decision to refer the cases of transfers of properties exceeding one lakh Sq. mtrs to the special committee constituted.
- The relevant rules need to be amended suitably or appropriate clarifications needs to be issued by the Government to avoid evasion of stamp duty and registration fee by splitting of transactions.
- The Goa, Daman and Diu Registration Rules, 1965 needs to be suitably amended to give clarity to provisions with regard to “person competent to present a document for registration and what should be the right of such person on the property under transaction”.
- The Government should enact appropriate rules to ensure inclusion of value of the constructed structures in the market value of properties for levy of stamp duty and registration fee.

FINANCE DEPARTMENT

4.3 Irregular allowance of exemption

Exemption to the tune of ₹ 20.13 lakh was granted without 'H' Form or invalid forms on export of iron ore.

Rule 4 (1) (C) of the Goa Value Added Tax Act, 2005 stipulates that sales turnover in the course of export of goods out of the Territory of India within the meaning of Sec. (5) of the Central Sales Tax Act, 1956 shall be allowed for deduction from the total turnover to determine the turnover of sales of goods for levying Tax. As per rule 12 (10) (a) of the CST (Registration & Turnover) Rules, 1957 deduction claimed should be supported by declaration in Form 'H' including all transactions taken place in a financial year.

For the year 2007-08, Dr. Prafulla R. Hede, a dealer in iron ore had claimed and was allowed deduction of ₹ 5.03 crore from taxable turnover of ₹ 13.40 crore in respect of three cases⁷ for export of iron ore out of India under the rule. Audit scrutiny of the 'H' Form revealed the following discrepancies.

- (i) 'H' Form issued by Shree Mallikarjun Shipping Pvt. Ltd. to the dealer did not contain date of issue and name of the issuing office to ensure the authenticity of the form. Therefore, the exemption of ₹ 5.41 lakh allowed on export turnover of ₹ 1.35 crore was irregular.
- (ii) 'H' Form issued by Seagull Ore Carriers Pvt. Ltd. to the dealer covered two financial years 2007-08 and 2008-09 which was irregular as per Central Sales Tax (Registration & Turnover) Rules, 1957. Consequently the exemption of ₹ 13.80 lakh on export sales valued at ₹ 3.45 crore allowed was irregular.
- (iii) Exemption was allowed without 'H' Form in respect of Ross Minerals and the exemption of ₹ 0.92 lakh export sales valued at ₹ 23 lakh was irregular.

After this was pointed out, the Department stated (January 2012) that the dealer would be re-assessed.

The matter was referred to the Government (June 2013) and their reply was awaited (January 2014).

4.4 Non collection of renewal fees

The Department did not collect renewal fees from Five Star Hotels with Electronic amusement/ slot machine license amounting to ₹ 1.06 crore.

The Goa, Daman and Diu Public Gambling Act, 1976 as amended vide Notification dated 12 February 2004 provided that a five star hotel which has been issued a license for installing electronic amusement/slot machines in its premises shall pay annually a 'renewal fees' of ₹ 10 per room per day and the amount so collected is to be deposited into the Treasury in advance. Audit noticed (September 2011 and December 2012) that renewal fees as required vide notification dated 12 February 2004 was not charged/collected by the

⁷ Shree Mallikarjun Shipping Pvt. Ltd., Seagull ore carriers Pvt. Ltd. and Ross Minerals

Department in respect of six⁸ hotels and as of 31 May 2012 was ₹ 2.39 crore for different periods from May 2004 to May 2012.

On being pointed out in audit, the Department partly recovered/collected renewal fees amounting to ₹ 1.32 crore from four⁹ Hotels (October 2011 to February 2013). The balance amounting to ₹ 1.06 crore in respect of the five¹⁰ hotels as shown in *Appendix 4.3* was not collected (May 2013).

The matter was referred to the Government (June 2013) and their reply was awaited (January 2014).

4.5 Loss of revenue

The decision of the Government to levy concessional rate of Road Tax merely on the basis of its registration being done in the name of individuals resulted in a large number of vehicles normally used only for commercial purposes being registered in the names of individuals by paying only the concessional rates of Tax.

The rates of Tax for vehicles classified as “any other motor vehicles”, was fixed as (i) 5 *per cent* of the cost of the vehicle for vehicles priced ₹ 6 lakh and below and (ii) 6 *per cent* of the cost of the vehicle for vehicles priced above ₹ 6 lakh through an amendment to the Goa Motor Vehicles Tax Act, 1974 (Part-B, Item No. B Clause-3) implemented vide Notification No. 7/16/2004-LA dated 24 August 2004.

The above classification was further amended vide Notification dated 07 May 2008 by which the above rates were restricted to vehicles registered in individuals’ names only and separate rates were introduced for vehicles registered in the name of “Companies/Institutions/Corporations” *etc* as under:

- (i) 7 *per cent* of the cost of the vehicle for vehicles priced ₹ 6 lakh and below;
- (ii) 8 *per cent* of the cost of the vehicle for vehicles priced above ₹ 6 lakh, but not exceeding ₹ 10 lakh;
- (iii) 10 *per cent* of the cost of the vehicle for vehicles priced above ₹ 10 lakh but not exceeding ₹ 25 lakh;
- (iv) 15 *per cent* of the cost of the vehicle exceeding ₹ 25 lakh.

A large number of vehicles used only for commercial purposes such as wheel loaders, hydraulic excavator loaders, hydraulic cranes, fork lift, JCB *etc.* registered in the names of individuals paid only the concessional rates of Tax. Details regarding vehicles so registered, obtained from some offices of the Assistant Directors of Transport during the audit scrutiny and the resultant short levy of road Tax are shown below:

⁸ Palm Hotels, Holiday Inn Resort, Britto Amusements Pvt. Ltd., Eastern International Hotels Ltd., Bharat Hotels Ltd. and Ramada Caravela Beach Resort

⁹ Palm Hotels, Holiday Inn Resort, Britto Amusements Pvt. Ltd. and Eastern International Hotels Ltd,

¹⁰ Holiday Inn Resort, Britto Amusements Pvt. Ltd., Eastern International Hotels Ltd., Bharat Hotels Ltd. and Ramada Caravela Beach Resort

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Period/ Year of Regn.	Branch office	No. of Vehicles registered	Vehicles type	Total value (₹ in lakh)	Amount of Tax levied (₹ in lakh)	Tax leviable at higher rate (₹ in lakh)	Amount of loss of Tax (₹ in lakh)
November 2011	ADT Ponda	12	12 Wheel Loaders	332.41	19.94	49.86	29.92
March 2011 to October 2012	ADT Bicholim	17	11 JCB 3 Loaders 1 Crane 2 Cons. Equip.	353.87	21.43	35.39	13.96
October 2010 to December 2012	ADT Vasco	38	10 H E Loaders 10 JCB 9 Loaders 6 Cranes 1 Road Roller 1 Fork Lift	789.97	48.22	89.82	41.60
January 2011 to August 2012	ADT Mapusa	43	36 JCB 3 WI Loaders 2 Cranes 2 Cons. Equip.	944.90	58.24	100.53	42.29
Total					147.83	275.60	127.77

The changed policy of the Government fixing a lesser rate of road Tax in respect of vehicles registered in individual's name, irrespective of their use for personal or commercial purpose has been detrimental to the interest of Government revenue. In the above illustrative cases itself the loss amounted to ₹ 1.28 crore.

After the matter was brought to the notice of the Department, the Asst. Directors of Transport stated that they did not have jurisdiction to go beyond the scope of the Notification and they have levied and collected the Tax as per the Government notification. The fact however, remains that the general classification of vehicles based only on registration irrespective of its use for private or commercial purpose provided a loophole for legal avoidance of Tax.

The matter was referred to Government (June 2013). The Director of Transport replied (January 2014) that Registration is being done as per provisions in the Act and the Government needs to amend the said rule/clause classifying the vehicles/machineries *etc.* accordingly without leaving any marginal scope for any loopholes. The reply of the Government was awaited (January 2014).

4.6 Short levy of License fees

There was short levy of license fee due to failure to verify the registration status of the licensees (₹ 1.45 crore)

The Goa Excise Act, 1964 as amended from time to time specifies that license fee for hotels are to be charged at the prescribed rates based on their categorisation by the Department of Tourism (DoT), Government of Goa, under Goa Registration of Tourism Trade Act. The Act also provided that for

every additional point of sale of liquor in a licensed premises, additional fee @ 50 per cent of the annual license fee shall be charged.

Test check of records maintained by Excise Station Bardez (December 2012) revealed that five hotels were registered as 'B' category and three hotels registered as 'C' category. However a cross verification with the records of the DoT revealed that five of these hotels were of 'A' category and the remaining three hotels were of 'B' category. Failure of the Department of Excise (DoE) to verify the status of the hotels as registered with the DoT resulted in short levy of license fee of ₹ 1.45 crore as brought out in the *Appendix 4.4*. The short levy remained undetected since the (DoE) did not have any mechanism to cross check the authenticity of the claims with the DoT.

The DoT confirmed (December 2012) the status of five hotels as 'A' category and three as 'B' category.

The matter was referred to the Government (April 2013). Their reply was awaited (January 2014).

4.7 Non-levy of Tax and penalty from unregistered dealers

Despite having the details of transactions by the unregistered dealers the Department did not take any action to recover Value Added Tax and penalty from them.

Section 18 of the Goa Value Added Tax Act, 2005, provided that every dealer who has exceeded the limit of liability to pay Tax should possess a valid certificate of registration (limit of turnover ₹ 10,000 in case of non-resident dealer and casual trader ₹ 1,00,000 in case of importer/manufacturer ₹ 5,00,000 in any other case). Carrying on business as a dealer without such registration is punishable under Section 44 of the above Act. Besides, Section 54 of the Act also provides for levy of penalty not exceeding double the amount of Tax payable.

Audit observed (January 2013) from the information furnished by the Commercial Tax Officer, Vasco to the Commissioner of Commercial Taxes for submission to the Justice Shah Commission (November 2012) on illegal mining that iron ore valued at ₹ 48.74 crore was purchased by exporters from unregistered dealers during 2007-08 to 2010-2011. These unregistered dealers escaped the payment of VAT. However, despite having the details of transactions by the unregistered dealers, the Department did not take any action to recover the Tax and penalty as provided in the Act and also to punish the offenders for engaging in trade in violation of the Act.

The Commercial Tax Officer, Vasco replied (May 2013) that the purchasers were unable to provide the full address of the sellers who were located in different parts of the State of Goa under different ward offices where the unregistered dealers have to pay the Tax that may be due from them and the respective ward officers shall be informed to take necessary action. It was assured that action shall be taken against the dealers falling within his ward.

Audit further obtained (June 2013) details of purchases made by unregistered dealers for the whole State as submitted to the Shah Commission in September 2012 and found that 315 unregistered dealers made sales of iron ore to various

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registered dealers under different ward offices, but no action was taken by the Department to bring them under Tax and levy Tax and penalty as per rules.

The year-wise details of transactions, Tax and penalty leviable for the whole State including Vasco ward were as under:

YEAR-WISE CALCULATION OF VAT AND PENALTY LIABILITY			
Financial Year	Value of iron ore purchased from URDs (₹ in lakh)	Tax @ 4% upto 2009-10 and @ 5% w.e.f. 2010-11 (VAT rate revised to 5% w.e.f.4.5.2010) (₹ in lakh)	Maximum Penalty leviable at the rate twice the Tax due (₹ in lakh)
2006-07	3937.41	157.50	314.99
2007-08	6215.27	248.61	497.22
2008-09	9755.58	390.22	780.45
2009-10	5022.65	200.91	401.81
2010-11	2656.02	132.80	265.60
2011-12	107.09	5.35	10.71
2012-13	19.89	0.99	1.99
Total	27713.91	1136.38	2272.77

Failure to pay Tax by unregistered dealers attracted penalty. Penalty leviable along with the Tax due amounted to ₹ 34.09 crore which was not recovered by the Department till January 2014.

The matter was referred to the Government in July 2013. Their reply was awaited (January 2014).