

## OVERVIEW

This Report contains a Performance Audit on "Working of bonded warehouses and distilleries/brewery (including bottling plants" and 29 paragraphs relating to under assessments/non-realisation/short realisation of penalties, taxes, duties *etc.* The total money value involved is ₹ 165.82 crore. Some of the major findings are mentioned below:

### I. GENERAL

➤ During the year 2013-14, the total revenue raised by the State Government (₹ 1547.44 crore) was 24.69 *per cent* of the total revenue receipts (₹ 6266.69 crore). The balance 75.31 *per cent* of receipts during 2013-14 comprised State's share of divisible taxes and duties amounting to ₹ 1301.96 crore and grants-in-aid from Government of India amounting to ₹ 3417.29 crore. The revenue raised by the State Government in 2013-14 was higher by 16.12 *per cent* as compared to 2012-13.

(Paragraph 1.1)

➤ Test check of the records of taxes on sale, trade *etc.*, state excise, motor vehicles tax, forest receipts and other non-tax receipts conducted during the year 2013-14 revealed under assessments/short/non-levy/loss of revenue amounting to ₹ 598.25 crore in 283 cases. During the year, the departments accepted under assessments/short/non levy/loss of revenue of ₹ 439.19 crore in 213 cases pointed out in 2013-14, and recovered ₹ 0.34 crore.

(Paragraph 1.10.1)

### II. TAXES ON SALE, TRADE *etc.*

➤ A dealer concealed ₹ 4.11 crore by furnishing revised returns which led to evasion of tax of ₹ 0.51 crore on which interest of ₹ 0.73 crore and penalty of ₹ 1.02 crore was leviable.

(Paragraph 2.4)

➤ Due to failure of the ST to complete assessment in time, a dealer concealed purchase of ₹ 3.33 crore and evaded tax of ₹ 0.42 crore on which interest of ₹ 0.68 crore and penalty of ₹ 0.84 crore was leviable, leading to a loss of revenue.

(Paragraph 2.5)

➤ Due to failure of the ST to complete assessment in time, a dealer irregularly claimed ITC on purchase of Schedule-V goods resulting in short payment of tax of ₹ 5.01 crore on which interest of ₹ 7.62 crore and penalty of ₹ 10.02 crore was leviable, leading to a loss of revenue.

(Paragraph 2.6)

➤ A dealer concealed purchase of ₹ 0.49 crore and evaded tax of ₹ 0.06 crore on which interest of ₹ 0.09 crore and penalty not exceeding ₹ 0.09 crore was leviable.

(Paragraph 2.7)

➤ Incorrect application of rate of tax on ₹ 8.75 crore in a works contract led to underassessment of tax of ₹ 0.74 crore.

(Paragraph 2.8)

- A manufacturing unit was irregularly allowed extension of eligibility beyond seven years resulting in short payment of tax of ₹ 1.09 crore on which interest of ₹ 0.10 crore was also leviable.

(Paragraph 2.9)

- A dealer concealed sale turnover of ₹ 15.12 crore and evaded tax of ₹ 0.60 crore on which interest of ₹ 0.88 crore and penalty not exceeding ₹ 0.90 crore was leviable.

(Paragraph 2.10)

- Four dealers concealed turnover of ₹ 11.44 crore on sale of coal and evaded tax of ₹ 0.46 crore on which interest of ₹ 0.09 crore and penalty not exceeding ₹ 0.92 crore was leviable.

(Paragraph 2.11)

- A dealer fraudulently covered sale amounting to ₹ 64.87 crore made to unregistered dealers in the 'C' form declarations resulting in under assessment of tax of ₹ 1.33 crore on which interest of ₹ 0.93 crore and penalty not exceeding ₹ 2.66 crore was leviable.

(Paragraph 2.12)

- Acceptance of invalid 'F' form covering transactions of two months valuing ₹ 52.13 crore led to under assessment of tax of ₹ 2.09 crore.

(Paragraph 2.13)

- Taxable goods was carried by transporters without proper documents in 14524 cases on which composition money of ₹ 0.14 crore only was realised instead of ₹ 7.26 crore resulting in short levy of composition money of ₹ 7.12 crore.

(Paragraph 2.14)

- Excess loads of coal and limestone were carried without any *challan*, bill of sale *etc.* on which penalty of ₹ 16.01 crore though leviable was not levied.

(Paragraph 2.15)

### **III. STAMP DUTY & REGISTRATION FEES**

- Non-registration of a lease agreement with the District Registrar resulted in evasion of stamp duty amounting to ₹ 0.15 crore.

(Paragraph 3.4)

- There was short levy of stamp duty amounting to ₹ 0.11 crore on registration of conveyance deeds.

(Paragraph 3.5)

- Non-registration of mining lease by a cement company resulted in non-realisation of stamp duty amounting to ₹ 0.09 crore.

(Paragraph 3.6)

### **IV. STATE EXCISE**

- **A Performance Audit on “Working of bonded warehouses and distilleries/brewery (including bottling plants)” revealed some of the following irregularities:**

The Excise Department does not have data on installed capacity of the bottling plants. It was observed that three distilleries were producing IMFL beyond their installed capacities.

*(Para 4.4.8.1)*

Non-adherence to the prescribed norms for production of IMFL resulted in shortfall in production of IMFL and consequent loss of revenue of ₹ 10.15 crore.

*(Para 4.4.8.5)*

Non-prescribing of production norms by the Excise Department resulted in short production by a brewery involving revenue of ₹ 3.01 crore.

*(Para 4.4.9.1)*

Undue benefit of ₹ 0.90 crore was extended to a brewery due to non-realisation of excise duty on spoilt beer.

*(Para 4.4.9.3)*

Quarterly breakage claims involving revenue of ₹ 6.67 crore was allowed without any physical verification reports and records.

*(Para 4.4.10.4)*

Allotment of rum at concessional rate was made to State police in excess of the monthly quota. Import pass fee of ₹ 3.91 crore was not realised on import of IMFL/beer from outside the State by defence and para-military forces.

*(Para 4.4.11)*

The Department did not set up an excise laboratory to ascertain the quality of IMFL/beer manufactured in the State as a result of which, 10 out of 11 samples tested by audit failed to meet the standard proof norms.

*(Para 4.4.12.2)*

The internal control mechanism in the Excise Department to monitor the functioning of the bonded warehouses, bottling plants and breweries was far from adequate. The Department did not have any Internal Audit Wing.

*(Para 4.4.14)*

#### **Transaction Audit**

➤ There was short/non realisation of fee amounting to ₹ 0.16 crore for late closing of 23 temporary bars and licenced bars.

*(Paragraph 4.5)*

➤ Cancellation of six IMFL licences without realisation of licence fees led to loss of revenue amounting to ₹ 0.12 crore.

*(Paragraph 4.6)*

➤ Fifty seven IMFL licencees and two bar licencees failed to pay security deposit amounting to ₹ 0.29 crore

*(Paragraph 4.7)*

## V. MOTOR VEHICLE RECEIPTS

- The Enforcement Branch failed to detect movement of 85622 trucks carrying load in excess of the permissible limit resulting in short realisation of fine amounting to ₹ 43.96 crore.

*(Paragraph 5.4)*

- Loss of revenue of ₹ 1.72 crore due to non-realisation of road tax.

*(Paragraph 5.5)*

- Fine amounting to ₹ 0.23 crore was not levied against 1150 vehicles owners who had not renewed their permits after expiry of validity period.

*(Paragraph 5.6)*

- There was short realisation of tax amounting to ₹ 0.12 crore in respect of 802 personal vehicles.

*(Paragraph 5.7)*

- Non-renewal of registration certificates of private vehicles led to non-realisation of revenue of ₹ 0.56 crore.

*(Paragraph 5.8)*

## VI. FOREST RECEIPTS

- There was short realisation of revenue of ₹ 0.47 crore by a user agency from contractors.

*(Paragraph 6.4)*

- Due to lack of co-ordination between Government Departments, a cement company concealed purchase of 1.95 lakh cu. m. of sand and evaded payment of royalty of ₹ 0.59 crore.

*(Paragraph 6.5)*

- Realisation of royalty on limestone at pre-revised rate led to short realisation of revenue amounting to ₹ 1.01 crore.

*(Paragraph 6.6)*

## VII. MINING RECEIPTS

- Non-realisation and short realisation of royalty on coal amounting to ₹ 27.76 crore.

*(Paragraph 7.4)*

- Non-realisation of royalty on coal at revised rate resulted in short realisation of revenue amounting to ₹ 0.16 crore.

*(Paragraph 7.5)*

- Against Mineral Cess Challans (MCC) issued for export of 1.42 lakh MT of limestone, 5.57 lakh MT was exported resulting in non-collection of cess of ₹ 0.78 crore.

*(Paragraph 7.6)*