

## CHAPTER VI: OTHER TAX RECEIPTS

### Section A: STATE EXCISE

#### 6.1 Tax administration

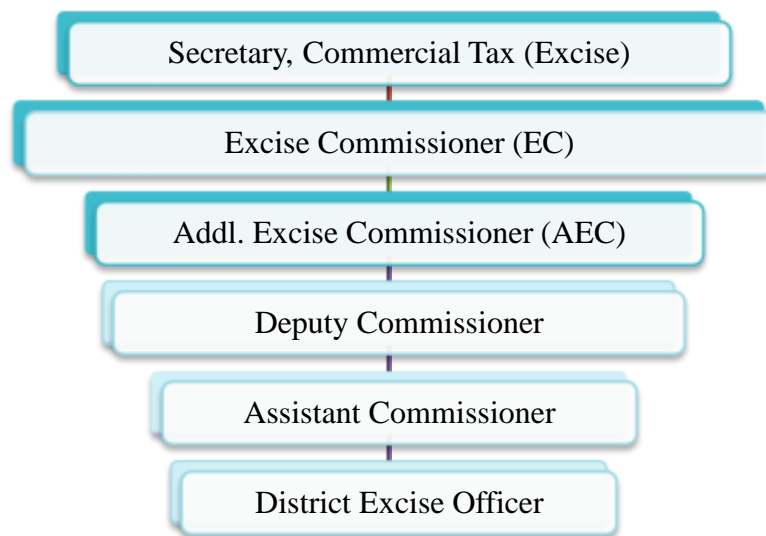
The receipts of Excise Department are administered under the provisions of:

- Chhattisgarh Excise Act, 1915;
- Chhattisgarh Distillery Rules, 1995;
- Chhattisgarh Foreign Liquor Rules, 1996 and
- Chhattisgarh Country Spirit Rules, 1995

Under the provisions of the Chhattisgarh Entertainment Duty and Advertisement Tax Act, 1936, the Excise Department also collects revenue in the form of Entertainment Duty.

Secretary cum Excise Commissioner (EC) is responsible for formulation and implementation of the excise policy. Two Additional Excise Commissioners (AEC) assist him at the headquarters. The Department has three divisions each headed by a Deputy Commissioner (DC) who supervises district offices, distilleries and bottling plants in the division. The Collector is the head of excise administration in each of the 27 districts and is assisted by Assistant Excise Commissioner/District Excise Officer (DEO) at district headquarters/distilleries.

**Chart 6.1: Organisational set up**



#### 6.2 Internal Audit

The Internal Audit is a vital arm of internal control mechanism and is generally defined as the control of all controls. It helps the organisation to ensure that the prescribed systems are functioning reasonably well.

As against sanctioned post of one Joint Director (JD), two Assistant Accounts Officer, one Assistant Grade-II and two Assistant Grade-III the men in position was one JD and two Assistant Grade-III. The remaining post was not filled by the Finance Department due to shortage of manpower. However no units were planned and conducted during 2015-16 due to dual charge of JD (Finance) and other staff not available.

We recommend that the Government may strengthen Internal Audit Wing so that timely detection and correction of errors in collection of revenue is ensured.

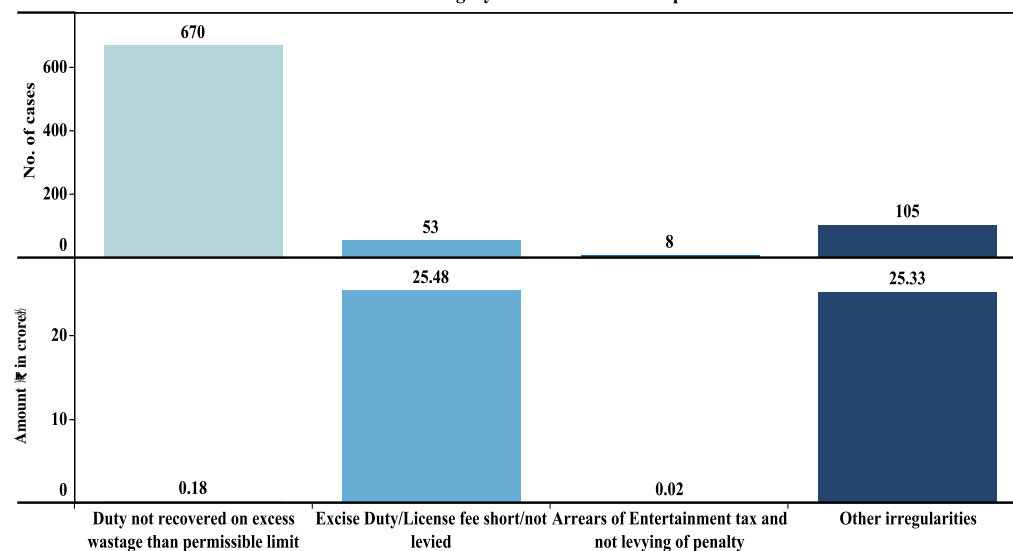
### 6.3 Results of Audit

In 2015-16, we test checked records of six units out of 27 units relating to Excise Department. During the course of audit we noticed different irregularities involving ₹ 51.01 crore in 836 cases, which fall under the following categories as given in **Table 6.1**:

**Table 6.1: Results of Audit**

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Excise Duty/License fee short/not levied	53	25.48
2.	Duty not recovered on excess wastage than permissible limit	670	0.18
3.	Arrears of Entertainment tax and not levying of penalty	8	0.02
4.	Other irregularities	105	25.33
<b>Total</b>		<b>836</b>	<b>51.01</b>

**Chart 6.2: Category-wise classification of paras**



During the year 2015-16 the Department accepted 696 cases involving ₹ 1.04 crore.

A few illustrative cases involving amount of ₹ 89.37 lakh are discussed in the following paragraphs.

#### 6.4 Short realisation of licence fee from FL3 licensee

**The DEO, Dhamtari did not include the entire population of the city/place while determining the licence fee resulting in short realisation of license fee amounting to ₹ 12 lakh.**

Rule 8(1) (c) of Chhattisgarh Foreign Liquor Rules, 1996 states that, any hotel desiring to serve foreign liquor at their licensed campus along with light food to their residents, visitors and guests have to take FL-3 licence . The Excise Commissioner (EC) issued (March 2013) instructions to all the collectors that a FL-3 licensee of a city/place having population of more than one lakh but less than three lakh shall pay licence fee of ₹ 12 lakh *per annum* for the period 2013-14.

During test check (November 2015) of files of four licensee out of four licensee relating to allotment of FL-3 licenses in DEO, Dhamtari, we noticed that the DEO issued (2013-14), licence to four licensees at the rate of ₹ nine lakh per licence keeping the population as 89,836. The District Planning and Statistics Officer, Dhamtari in his letter (March 2014) has stated that the population of Dhamtari Municipal Corporation was above one lakh (1,01,677) as per census 2011. But the DEO wrongly considered the population as less than one lakh and realised ₹ 36 lakh instead of ₹ 48 lakh from the four<sup>1</sup> licensees. This resulted in short realisation of license fee of ₹ 12 lakh.

After we pointed (May 2016) out the Government replied (November 2016) that the population of 1,01,677 includes four outer agglomeration area also, which do not form part of Dhamtari Municipal Corporation. As per government notification (July 2014) the population of Dhamtari Municipal Corporation is 89,860 only, thus the licence fee was realised at the rate of ₹ nine lakh per FL 3 licensee.

Reply is not acceptable as the outer agglomeration area also forms the part of Municipal Corporation as mentioned by the District Planning and Statistics Officer, Dhamtari. Thus DEO should have realised licence fee by reckoning the population as above one lakh. While renewing the licence fee for the year 2014-15, the DEO have realised the licence fee at the rate of ₹ 12 lakh per licensee taking into account the population of Dhamtari as above one lakh.

#### 6.5 Duty on excess wastage of foreign liquor not recovered

**The distiller while exporting Indian Made Foreign Liquor (IMFL) incurred excess wastage/loss than the permissible limit and the excise duty of ₹ 28.34 lakh on excessive wastage was not realised from the distiller.**

Rule 16 (3) of Chhattisgarh Foreign Liquor Rules, 1996 states that the maximum wastage allowed during transportation for all exports of bottled IMFL shall be 0.25 *per cent*, irrespective of the distance. Further Rule 16 (5) states that if the wastage (0.25 *per cent*) during export of bottled IMFL is more

<sup>1</sup> Classical Hotel and Restaurant, Khushi Restaurant Hotel Bagga, Hotel Hariyali and Restaurant, Hotel Family Dhaba Kothari Park

than the permissible limit then duty on the excess loss will be recovered from the licensee.

During test check (December 2015) of 668 out of 817 consignments in DEO, Mungeli from the consignment register we found that M/s Bhatia Wine Merchant Private Limited, Mungeli had exported 48.09 lakh Proof Litre (PL) of foreign liquor to Assam under permit issued by DEO. Further we noticed that against dispatched quantity of 48.09 lakh PL, the warehouse of the consignee in Assam had received 47.69 lakh PL of foreign liquor only. Thus as against the allowable wastage of 0.12 lakh PL (0.25 per cent), the actual wastage was 0.40 lakh PL (0.83 per cent) which was 0.28 lakh PL excess than the permissible limit. Thus the licensee is liable to pay the excise duty of ₹ 28.34 lakh<sup>2</sup> on the excess wastage than the permissible limit as detailed in **Appendix 6.1**. The DEO did not levy any duty for excess wastage on exported liquor which resulted in duty amounting to ₹ 28.34 lakh being not realised.

After we pointed (May 2016) out, the Government accepted (November 2016) the fact and stated that the action for recovering the amount is under process.

## **6.6 Undue benefit to the licensee**

**The Collector did not forward the case of surrendering the licence to the Excise Commissioner (EC) as required under the Act and cancelled the licence. Also, duty and licence fee of ₹ 49.03 lakh could not be realised from the ex-licensee.**

As per Section 33 (1) of Chhattisgarh Excise Act 1915, any holder of licence granted under this Act to sell an intoxicant may surrender his licence on the expiration of one month's notice in writing given by him to the Collector of his intention to surrender the same and on payment of the fee payable for the licence for the remainder of the period for which it would have been current put for such surrender, provided that if the EC is satisfied that there is sufficient reason for surrendering a licence he may remit to the holder thereof the sum so payable on surrender or any portion thereof.

During test check (October 2015) of records of allotment of retail country/IMFL shops for the year 2013-14 in the office of Assistant Commissioner (AC), Durg, we noticed that a licensee was allotted licence to sell country/foreign liquors. The annual revenue of the group of shops was fixed at ₹12.34 crore<sup>3</sup>. During further scrutiny of the case, we noticed that the licensee after operating the shops for two months, applied (May 2013) to the Collector for surrendering the license due to inability in running the shops. Though as per the provisions of the Act, the Collector had to forward the case to EC, he did not forward the case to EC and cancelled the licence after realising duty and fee of ₹ 3.26 crore for the period of operation (between April and June). After that, the Department operated the shops for the period between 30 June 2013 and 15 September 2013 and thereafter by the new licensee and realised ₹ 8.59 crore as against the realisable amount of ₹ 9.08 crore for the remaining year. The short realisation of duty and licence fee

<sup>2</sup> (40,367.214 PL-12,022.335 PL)= 28344.879 PL \* ₹ 100 per PL

<sup>3</sup> License fee: ₹ 8.02 crore and Excise Duty: ₹ 4.32 crore

amounting ₹ 49.03 lakh<sup>4</sup> for the remaining period was realisable from the ex-licensee. However the ex-licensee did not deposit the difference amount till date. As such, the action of the Collector to *suo motto* decide the case without referring the matter to EC was in contravention to the provisions of the Act. Also, after the lapse of more than two years, the Department could not recover the difference amount of ₹ 49.03 lakh from the defaulter.

After this was pointed out (May 2016), the Government replied (November 2016) that RRC have been issued to ex-licensee for realising the dues. However, reply does not clarify the reason as to why the Collector had cancelled the license in contravention to the provisions of the Act.

## Section B: TAXES ON VEHICLES



### 6.7 Tax administration

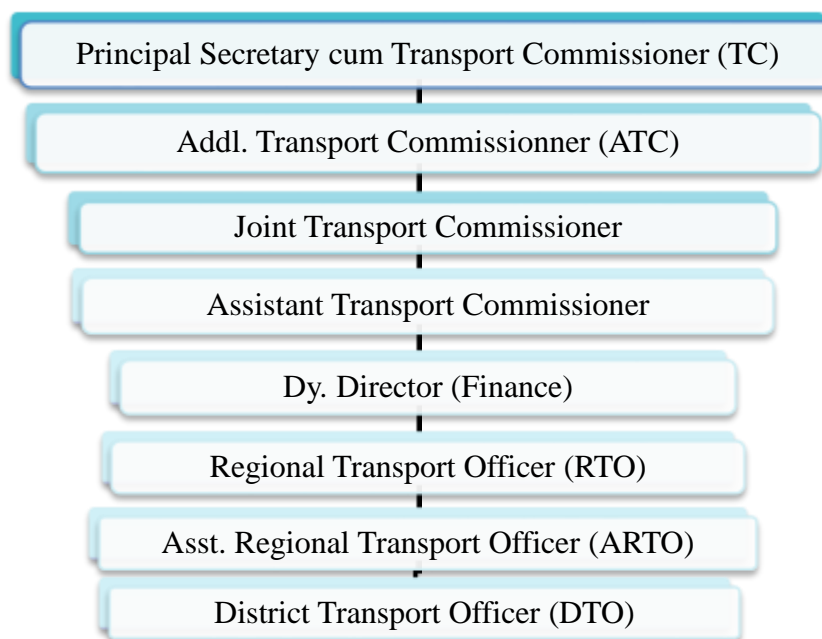
The receipts from taxes on vehicles are administered under the provisions of:

- Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicle (CMV) Rules, 1989;
- Chhattisgarh *Motoryan Karadhan* (CGMK) *Adhiniyam*, 1991;
- Chhattisgarh *Motoryan Niyam*, 1994; and
- Executive orders issued under these Acts and Rules from time to time.

The Transport Department functions under the overall charge of the Principal Secretary-cum-Transport Commissioner (TC) who is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at Headquarters. Besides, there are four Regional Transport Officers (RTO), two Additional Regional Transport Officers (ARTO) and 16 District Transport Officers (DTO) under the administrative control of TC. In addition, 15 check posts and one sub-check post are under the supervisory control of RTOs/ARTOs/DTOs concerned.

<sup>4</sup> ₹ 9.08 crore-₹ 8.59 crore

**Chart 6.3: Organisational set up**



## 6.8 Internal Audit

The Internal Audit Wing (IAW) of a Department is a vital component of its internal control mechanism and is generally defined as control of all controls. It enables the organisation to ensure itself that the prescribed systems are functioning reasonably well.

As on March 2016 against sanctioned post of two senior auditors and four junior auditor, only two senior auditors were functioning in IAW under the supervision of Internal Audit Officer. During 2015-16, the Department inspected seven field offices out of planned 16 offices and made observations amounting to ₹ 74.04 lakh pertaining to 126 vehicles.

**We recommend that the Government may consider strengthening the Internal Audit Wing, so that timely detection and correction of errors in levy and collection of revenue is ensured.**

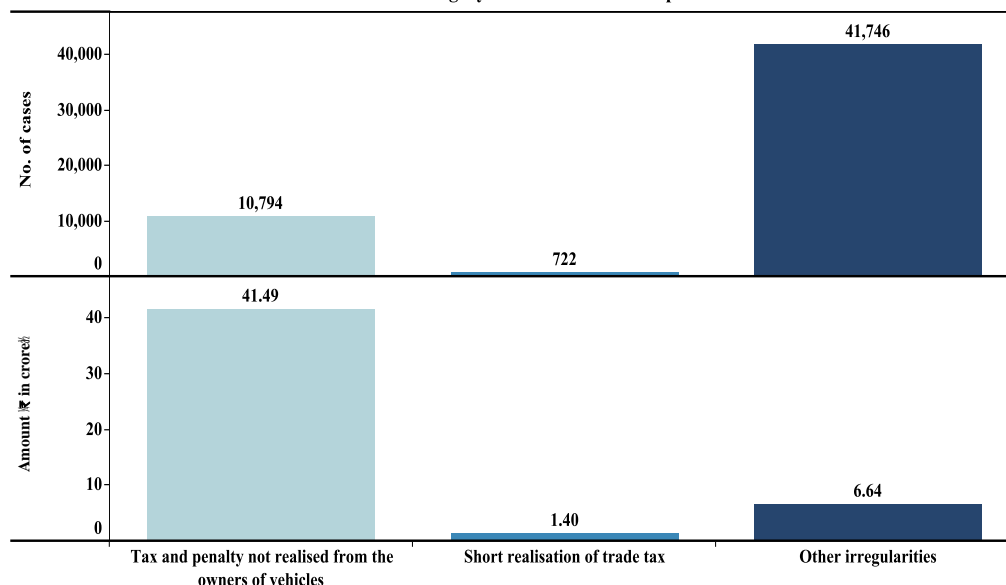
## 6.9 Results of Audit

We test checked the records of 13 out of 21 units of the Transport Department in 2015-16 and found short realisation of trade tax, tax not realised and penalty and other irregularities etc. amounting to ₹ 49.53 crore in 53,262 cases, which fall under the following categories in the **Table 6.2**:

**Table 6.2: Results of Audit**

<i>(₹ in crore)</i>			
Sl. No.	Category	No. of cases	Amount
1.	Short realisation of trade tax	722	1.40
2.	Tax and penalty not realised from the owners of vehicles	10,794	41.49
3.	Other irregularities	41,746	6.64
<b>Total</b>		<b>53,262</b>	<b>49.53</b>

Chart 6.4: Category-wise classification of paras



During the course of the year, the Department accepted short realisation of trade tax, tax and penalty not realised and other irregularities etc. of ₹ 47.31 crore in 26,202 cases and recovered ₹ 1.05 in nine cases.

A case involving ₹ 14.01 lakh is discussed in the following paragraph.

### 6.10 Motor Vehicle Tax from the owners of passengers and goods vehicle not levied

**The failure on part of DTO, Janjgir-Champa to take action for realising the motor vehicle tax from 87 goods vehicles and seven passenger vehicles resulted in tax amount of ₹ 7.87 lakh being not realised. Besides penalty of ₹ 6.14 lakh was also leviable.**

As per Section 3 of CGMK *Adhiniyam*, 1991 tax shall be levied on every goods vehicle used or kept for use in the State at the rate prescribed in the serial number 5 of the first schedule of the *Adhiniyam*. In case of tax being not paid, the owner shall in addition to payment of tax, is liable to pay penalty at the rate of one twelfth of the unpaid amount of tax for the default of each month or part thereof but not exceeding the unpaid tax as laid down under Section 13 (1) of the *Adhiniyam*.

During test check (February 2016) of VAHAN database of 384 passenger and goods vehicles out of 1,946 registered passenger and goods vehicle in the office of DTO, Jangir-Champa, we noticed that tax amounting to ₹ 7.87 lakh was outstanding as on 31 March 2016 from 87 goods vehicles and seven passenger vehicles. Further scrutiny revealed that no off-road declaration was given by the owners of vehicle. As the collection of tax and the outstanding tax is monitored by the Department through their monthly returns, the DTO should have initiated for recovering of outstanding dues by issuing demand notices to these vehicle owners. However no demand notice have been issued by the DTO to recover the tax. Thus motor vehicle tax of ₹ 7.87 lakh could not be realised. Further as per Section 13(1) of CGMK, *Adhiniyam*, 1991, penalty of ₹ 6.14 lakh was also leviable.

After we pointed (May 2016) out, the Government replied (September 2016) that as on June 2016 outstanding tax amount of ₹ 0.55 lakh and penalty amounting to ₹ 0.50 lakh has been recovered from one passenger and eight goods vehicles. Demand notices for the recovery of outstanding tax and penalty from the remaining vehicles had been issued and the concerned vehicle owners had been blacklisted.