

CHAPTER VII
OTHER TAX
AND
NON-TAX RECEIPTS

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7.1 Results of Audit

Test check of records of 39 offices²⁸² conducted during 2016-17 revealed under-assessment and other observations involving an amount of ₹ 149.12 crore in 120 cases. These Audit observations broadly fall under the categories as given in **Table 7.1**.

Table 7.1: Results of Audit

(₹ in crore)			
Sl.No.	Category	No. of cases	Amount
I	ENERGY DEPARTMENT		
1.	Functioning of Chief Electrical Inspector to Government of Andhra Pradesh	01	35.16
II	REVENUE DEPARTMENT		
	Land Revenue		
A	Water tax		
1.	Short levy of water tax due to incorrect adoption of irrigated extent	03	0.60
2.	Non/short levy of interest on arrears of water tax	17	0.20
	Commercial Taxes		
B	Professions tax		
1.	Short collection of professions tax	57	0.59
C	Entertainments tax		
1.	Short levy of entertainments tax	02	1.19
III	INDUSTRIES AND COMMERCE DEPARTMENT		
1.	Non-raising of demand for arrears of District Mineral Fund	12	96.65
2.	Non/ short levy of royalty	10	6.73
3.	Non/ short levy of seigniorage fee/dead rent	06	0.45
4.	Other irregularities	12	7.55
Total		120	149.12

During the year 2016-17, the Department accepted under-assessment and other deficiencies of ₹ 24.76 crore in eight cases. Of this, seven cases involving ₹ 24.56 crore were pointed out during the year 2016-17 and the rest in earlier years. An amount of ₹ 0.07 crore was realised in one case during the year 2016-17. A few illustrative cases, involving ₹ 36.30 crore, are discussed in the succeeding paragraphs.

²⁸² Energy, Revenue, Industries and Commerce Departments;
56 offices of Land Revenue Department are included at Para 6.3 in Chapter VI - Land Revenue and 102 offices of Commercial Taxes Department are included at Para 2.3 in Chapter II- VAT and CST.

ENERGY DEPARTMENT

7.2 Functioning of Chief Electrical Inspector to Government of Andhra Pradesh

7.2.1 Introduction

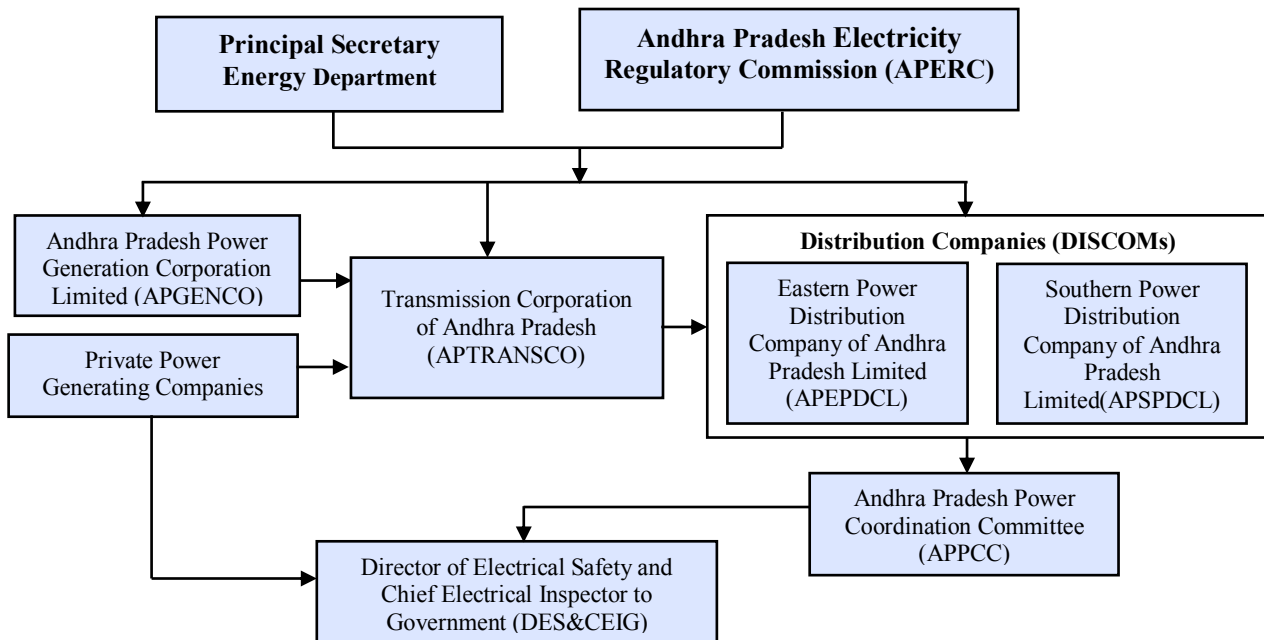
Director of Electrical Safety and Chief Electrical Inspector to Government of Andhra Pradesh (DES&CEIG)²⁸³ under the administrative control of Principal Secretary, Energy Department, is responsible for

- (i) levy and collection of Electricity Duty under AP Electricity Duty Act, 1939 and Rules made thereunder from the licensees on the sale of energy effected by them,
- (ii) approval for High Tension (HT) electric installations and their periodical inspections to ensure safety aspects under the Electricity Act, 2003 and Rules, Regulations and Government Orders thereunder.
- (iii) implementation of quality control of electric goods (Quality Control) order 2003.

Director of Electrical Safety and Chief Electrical Inspector to Government is assisted by one Deputy Chief Electrical Inspector, three Electrical Inspectors (EIs) and 12 Deputy Electrical Inspectors (DEIs) at field level in discharging the duties. The total staff strength of the organisation as on 31 March 2016 was 121.

The following is the overview of electricity sector in Andhra Pradesh.

Organisational setup



²⁸³ Consequent to bifurcation of state into Andhra Pradesh and Telangana, the post of CEIG in Andhra Pradesh has been renamed as Director of Electrical Safety and Chief Electrical Inspector to Government(DES&CEIG) through G.O.Ms.No.8, Energy Department, dated 5 March 2016.

7.2.2 Audit scope, objectives and methodology

Audit conducted during March/ April 2017 covered the period of three years i.e., from 2013-14 to 2015-16 to examine the implementation of functions under the Rules/Regulations. Audit verified the records relating to electricity duty, periodical inspection files and licensees in six offices²⁸⁴.

Audit findings

Audit findings are summarised below:

7.2.3 Levy and Collection of Electricity Duty

As per section 3(1) of Andhra Pradesh Electricity Duty Act, 1939, every licensee in the State shall pay duty every month to the State Government calculated at the rate of six paise per unit of energy in respect of all sales of energy (except sales to privileged customers²⁸⁵). The accounts wing of the DES&CEIG office conducts the periodical audit on the accounts of DISCOMs to determine the Electricity duty and raise the demand who in turn levy and collect as part of the electricity bill, from the consumers.

7.2.3.1 Short levy of electricity duty due to non-adoption of audited figures

The electricity duty due from DISCOMs was required to be worked out on the basis of audited figures. Short levy of electricity duty with reference to the payments as per the provisional return should be demanded from DISCOMs through Andhra Pradesh Power Co-ordination Committee (APPCC).

Audit observed that the electricity duty of ₹ 503.50 crore²⁸⁶ was due from the DISCOMs²⁸⁷ as per the audited²⁸⁸ figures of DES&CEIG. Against this a demand of ₹ 479.08 crore was raised. The short demand of electricity duty of ₹ 24.42 crore (**Table 7.2**) was due to adoption of provisional figures furnished by APPCC without reconciling them with the audited figures.

Table 7.2: Short demand of Electricity Duty

(₹ in crore)			
Year	Duty Due	Duty Demanded	Duty short demanded/ received
2013-14	148.88	147.54	1.34
2014-15	169.39	154.05	15.34
2015-16	185.24	177.50	7.74
Total	503.50	479.08	24.42

²⁸⁴ Director of Electrical Safety & Chief Electrical Inspector to Government, Guntur; Deputy Chief Electrical Inspector, Vijayawada; Electrical Inspectors - Guntur, Kurnool and Visakhapatnam and Deputy Electrical Inspector, Kakinada.

²⁸⁵ Privileged customer means the Central Government or the federal Railway authority or a Railway company operating federal Railway.

²⁸⁶ ₹ 192.62 crore (APEPDCL) + ₹ 310.88 crore (APSPDCL).

²⁸⁷ For the period 2013-14 to 2015-16.

²⁸⁸ Between September 2014 and February 2017.

On this being pointed out (April 2017), the Government confirmed (January 2018) the short levy. It was intimated that notices were issued (October 2017) to the DISCOMs for payment of balance electricity duty.

7.2.3.2 Non-levy of electricity duty on the sales through open access

Open access means non-discriminatory provision for the use of transmission lines or distribution system or associated facilities with such lines or system by any licensee or consumer or person engaged in generation in accordance with the regulations specified by the AP Electricity Regulatory Commission.

- (i) Review of audited²⁸⁹ records of DISCOMs revealed that 880 million units were sold by private generating companies through open access to various consumers. Electricity duty recoverable towards supply through open access by the generating companies worked out to ₹ 5.28 crore at six paise per unit. The same was not demanded from the private generating companies.

On this being pointed out (April 2017), the Government replied (January 2018) that demand was not raised due to non-availability of details of developers. The reply is not acceptable as the wheeling of electricity was done through APTRANSCO/State Load Dispatch Centre (SLDC) which is a State Government Company. The Department could have approached TRANSCO/SLDC to get the details of Generating units/Developers and levied the duty.

- (ii) Andhra Pradesh Gas Power Corporation Limited (APGPCL) is a Power Generating Company established under Public Private Partnership mode. Sale of energy to its shareholders amounted to captive consumption and was exempted from payment of duty.

The corporation sold 197.64 million units of energy to private parties (other than share holding companies). Audit noticed (April 2017) that duty of ₹ 1.19 crore leviable on sale of energy was not levied.

On this being pointed out (April 2017), the Government replied (January 2018) that energy was sold to its share holding companies and electricity duty payment was thus exempted. The reply of the Government was not acceptable as sales made by the corporation included sales to private parties and duty was payable on such sales.

7.2.3.3 Short levy and collection of Electricity duty from Co-operative Societies

There are three²⁹⁰ Rural Electric Supply Co-operative Societies (RESCOS) in Andhra Pradesh which draw power from DISCOMs and sell it to their consumers in the respective areas. These societies make payment of Electricity duty directly to the DES&CEIG on sales made by them.

²⁸⁹ By DES&CEIG during 2013-14 to 2015-16.

²⁹⁰ The Anakapalle Rural Electric Co-operative Society Ltd., The Cheepurupalle Rural Electric Co-operative Society Ltd., The Kuppam Rural Electric Co-operative Society Ltd.

Cross verification of the monthly returns of RESCOS with the Audit Reports²⁹¹ of DES&CEIG, disclosed that RESCOS had paid Electricity Duty on sale of 57,37,77,804 units of electrical energy. However the energy supplied by DISCOMs was 99,21,34,333 units. Non-reconciliation of units reflected in monthly returns of RESCOS with those in the Audit Reports of the DES&CEIG resulted in non-levy of electricity duty. The duty recoverable on supply of 41,83,56,529 units amounted to ₹ 2.51 crore at the rate of six paise per unit.

On this being pointed out (April 2017), the Government replied (January 2018) that shortfall of units was due to distribution losses. The reply was not acceptable as even after adopting maximum projected percentage of distribution loss (10.68) as per annual accounts of DISCOMs, there was still short receipt of electricity duty amounting to ₹ 1.48 crore. Of this, an amount of ₹ 6.50 lakh had been recovered (July 2017). The remaining duty of ₹ 1.42 crore needs to be realised by the Department.

7.2.3.4 Short levy of Electricity Duty due to incorrect grant of exemption

During verification of audited records of DISCOMs (APEPDCL), Audit noticed (April 2017) that energy consumed by staff quarters of Defence establishments and Airport, Bus stations were exempted. These were treated as privileged customers. However, these do not fall under the category of privileged customers. Hence duty was leviable on the quantum of 3,38,02,330 units supplied to the non-privileged customers. The duty leviable on these units amount to ₹ 20.28 lakh.

On this being pointed out (April 2017), the Government replied (January 2018) that electricity was supplied through HT connection which belongs to defence establishments. Hence, duty need not be levied. The reply was not acceptable as only Union Government offices were exempted from payment of electricity duty and not the staff quarters of defence establishments or airport bus stations.

7.2.3.5 Short payment of electricity duty on sale of energy by a company

During audit, it was observed that a private power generating company in Visakhapatnam had sold 86,91,97,423 units of power to AP DISCOMs and other private companies. The electricity duty payable on sale of energy worked out to ₹ 5.22 crore at 6 paise per unit. However the company paid only ₹ 2.45 crore resulting in short payment of electricity duty amounting to ₹ 2.77 crore as detailed below.

²⁹¹ For the period from 2013-14 to 2015-16.

Table 7.3: Short payment of electricity duty

(₹ in crore)

Year	Total units produced	Plant consumption	Units sold	Duty at 6 paise per unit	Duty paid	Short payment of duty
2013-14	33,87,08,652	5,15,28,442	28,71,80,210	1.72	0.80	0.92
2014-15	35,76,01,846	5,33,22,206	30,42,79,640	1.83	0.70	1.13
2015-16	35,52,72,393	7,75,34,820	27,77,37,573	1.67	0.95	0.72
Total	105,15,82,891	18,23,85,468	86,91,97,423	5.22	2.45	2.77

On this being pointed out (April 2017), the Government replied (January 2018) that the said company did not fall under the definition of the licensee. The reply was not acceptable since Company was a licensee as per the notification²⁹² issued in November 2003 and hence was liable to pay duty on sale of energy.

7.2.3.6 Non-realisation of electricity duty on sale of power by private generating companies

There were 34 private generating companies in Andhra Pradesh State engaged in sale of power to private parties in respect of which the electricity duty was pending. From the details furnished by the Department, Audit observed that electricity duty of ₹ 311.25 crore was due from 32 companies as on 31 March, 2016. An amount of ₹ 116.56 crore related to the period 2013-14 to 2015-16 and ₹ 196.49 crore related prior to 2013-14.

On this being pointed out (April 2017), the Government replied (January 2018) that the generating companies do not fall under the definition of the 'licensee' and hence need not pay duty. The reply was not acceptable as every power generating company was a licensee as per notification²⁹³ issued in November 2003 and hence was liable to pay duty on sale of power.

Further, notices were served on one of these power generating companies from whom bulk amount (₹ 130.36 crore) was due and the same was intimated to the District Collector for initiating action under AP Revenue Recovery (APRR) Act, 1864. As major portion (₹ 117.11 crore) of the dues was more than five year old, concrete steps should have been taken for recovery of the Electricity duty.

7.2.4 Inspection of HT installations

As per Order 2011 of AP Electrical Inspectorate (Measures relating to Safety and Electric Supply) read with Government order²⁹⁴ dated 19 November 2011 relating to safety and electric supply Regulations, 2010, every electrical installation exceeding 650V should be inspected on annual basis.

²⁹² Gazette Notification No.59, dated 18 November, 2003 issued by Government of Andhra Pradesh.

²⁹³ Gazette Notification No.59, dated 18 November, 2003 issued by Government of Andhra Pradesh.

²⁹⁴ G.O Ms No 42, Energy (services) Department, dated 19 November 2011.

7.2.4.1 Short fall in conducting periodical inspections of HT installations

During test check of four Divisional/Sub-Divisional offices²⁹⁵, Audit noticed shortfall in conducting periodical inspection of HT installations. The short fall ranged between 3.05 to 22.87 per cent.

When shortfall of inspections was pointed out (March 2017), all Divisional/Sub-Divisional Heads replied (December 2017) that shortage of inspections was due to non-receipt of inspection fee from installation owners. The reply was not tenable as periodical inspections have to be conducted as a preventive measure for safety of the unit to avoid loss of property and human lives in the event of any accident.

7.2.4.2 Non-receipt of compliance reports

As per Government Order²⁹⁶ of February 2012, failure to rectify the defects in installations pointed out by the Electrical Inspector within the prescribed time, is punishable with fine which may extend to five hundred rupees. If the breach is continued, further fine is leviable which may extend upto fifty rupees per day after the first breach during which such breach continued.

Examination of periodical inspection files of HT installations in four²⁹⁷ Divisions and one sub-division (Kakinada) revealed that no compliance reports were furnished by the installation owners²⁹⁸.

On this being pointed out (April 2017), the Government replied (January 2018) that disconnection of power supply would be recommended besides applying the penalty clause for non-receipt of compliance reports.

7.2.5 Verification of quality of electrical appliances

Under Clause 2(b) of the Electrical Wires, Cables, Appliances and Protection Devices and Accessories (Quality Control) Order, 2003, read with Government Order²⁹⁹ of December 2003, CEIG/DCEIG is empowered to call for samples of electric appliances, cables etc., from manufacturers, enter and search any premises, seize them, if they are not of specified standards.

During the course of audit of four³⁰⁰ divisional offices, Audit observed that four divisional officers had not conducted search and seizure operations as prescribed.

The divisional officers replied (April 2017) that search and seizure operations were not conducted for the reason that orders were issued prior to bifurcation of the State. It was also stated that matter would be brought to the notice of the

²⁹⁵ DCEIG- Vijayawada, DEI, Kakinada, EIs Guntur and Visakhapatnam.

²⁹⁶ G.O.Ms.No.8, Energy (Services) Department, dated 13 February 2012.

²⁹⁷ Vijayawada, Guntur, Kurnool and Visakhapatnam.

²⁹⁸ Such as hospitals and cinema halls.

²⁹⁹ G.O.Ms.No.138, Energy (PR.II) Department, dated 9 December 2003.

³⁰⁰ Vijayawada, Guntur, Kurnool and Visakhapatnam.

Government for issue of fresh orders. The reply of the Department was not tenable as search and seizure operations were entrusted to the then CEIG, the position continued in the bifurcated State of Andhra Pradesh. Not implementing the said order in letter and spirit could result in sale and use of sub-standard appliances and goods.

7.2.6 Conclusion

The Department short levied the electricity duty amounting to ₹ 35.16 crore from the DISCOMs/RESCOS/third party traders during last three years. Huge amount of ₹ 311.25 crore towards electricity duty was outstanding from various power generating companies. There had been shortfall in conducting periodical inspections of HT installations. Quality of electrical appliances was not verified.

REVENUE DEPARTMENT

LAND REVENUE

7.3 Short levy of water tax

As per Section 3 of the Andhra Pradesh Water Tax Act, all Government sources of irrigation classified as major and medium projects shall be regarded as category-I. All other sources which are capable of supplying water for not less than four months in a year shall be regarded as category-II. The rate of water tax for first or single wet crop in a *fasli* year³⁰¹ under category-I is ₹ 200 per acre. The rate for second wet crop of that *fasli* year is ₹ 150 per acre. For category-II source, ₹ 100 per acre is to be adopted for first/single wet crop or second crop.

Government in their orders³⁰² laid down the procedure for raising water tax demand. As per this procedure, Executive Engineers of Project areas/irrigated sources are required to communicate the extent of area irrigated for fixation of water tax demand by Tahsildar. In case of variation between actual area irrigated as indicated by Irrigation Department and that of Revenue Department, *Joint azmoish*³⁰³ should be conducted to arrive at area irrigated.

³⁰¹ *Fasli* year means the period of 12 months from 1 July to 30 June. By adding 590 to *fasli* year one can get the corresponding calendar year.

³⁰² G.O.Ms.No.115, Revenue (LR.3) Department, dated 13 February 2001.

G.O.Ms.No.96, Irrigation & C.A.D (Gen.IV-2) Department, dated 08 June 2007.

³⁰³ *Joint azmoish* means joint inspection of irrigated land conducted by Irrigation, Agriculture and Revenue Departments.

During scrutiny of village accounts (May 2016) of two Tahsildar offices³⁰⁴, Audit observed that in office of the Tahsildar, Chirala, water tax was short levied for the *fasli* years 1414 to 1417. This was due to application of incorrect rate of water tax per acre for single wet crop on an irrigated extent of 5,795.42 acres. This resulted in short levy of water tax amounting to ₹ 25.22 lakh. In the office of Tahsildar, Karamchedu, water tax demand for the *fasli* years 1418 to 1,422 was finalised on an area lesser than the irrigated extent. This had resulted in short levy of water tax of ₹ 32.56 lakh.

Thus, the total short levy of water tax amounted to ₹ 57.78 lakh by the Tahsildars for the *fasli* years from 1414 to 1422.

After Audit pointed out the cases, Tahsildar, Chirala replied (May 2016) that necessary action would be taken to review the water tax under intimation to Audit. Tahsildar, Karamchedu replied (May 2016) that the matter would be examined and result intimated.

The matter was referred to the Government in June 2017; their replies have not been received (January 2018).

7.4 Non-levy of interest on arrears of water tax collected

As per Section 8 of AP Water Tax Act, 1988, water tax payable by a landowner in respect of any land shall be deemed to be public revenue due upon the land and provisions of APRR Act, 1864 shall apply. Further, under Section 7 of APRR Act, arrears of revenue shall bear interest at the rate of six *per cent* per annum.

During scrutiny (May and August 2016) of records³⁰⁵ in six offices of Tahsildars³⁰⁶, Audit observed that arrears of land revenue towards water tax amounting to ₹ 193.97 lakh was collected (from *fasli* 1413 to 1424), without interest. The interest of ₹ 11.63 lakh leviable under Section 7 of APRR Act was not collected.

Interest was computed by Audit on a conservative estimate (calculated at the rate of six *per cent* for minimum period of one year). This was due to the reason that the period of delay could not be checked on account of non/improper maintenance of Demand Collection and Balance (DCB) registers at village level.

³⁰⁴ Chirala and Karamchedu.

³⁰⁵ Consolidated statements of Demand, Collection and Receipt Books.

³⁰⁶ Bobbili, Jiyamavalasa, Karamchedu, Nathavaram, Rompicherla and Vinjamur.

After Audit pointed out, Tahsildar, Rompicherla replied (November 2017) that efforts were being made for collection of water tax and interest accrued from the farmers. The remaining five Tahsildars³⁰⁷ replied (May and August 2016) that interest would be collected under intimation to Audit.

The matter was referred to the Government in June 2017; replies have not been received (January 2018).

INDUSTRIES AND COMMERCE DEPARTMENT

MINES AND MINERALS

7.5 Non-collection of amount towards National Mineral Exploration Trust Fund

As per Section 9 of Mines and Minerals (Development & Regulation) Act, 1957, the holder of a mining lease shall pay royalty in respect of any mineral (other than minor minerals) removed or consumed by him from the leased area at the rates specified.

National Mineral Exploration Trust (NMET) was formed under Section 9(c) of Mines and Minerals (Development & Regulation) Act, 1957 and NMET Rules were notified³⁰⁸. Accordingly, Director of Mines and Geology directed³⁰⁹ that all royalty payments may be collected along with NMET component at the rate of two *per cent* of the royalty and no royalty payment should be accepted without mandatory contribution towards the NMET Fund. It was also clarified that liability of payment towards the NMET Fund accrues from the date amended Act came into force (12 January 2015) and needs to be collected from mining lease holders.

During scrutiny of records³¹⁰ in five offices³¹¹ Audit observed³¹² that the Department had collected ₹ 22.30 crore towards royalty from the mining lease holders. However, this contribution equivalent to two *per cent* of the royalty was not collected. Thus, an amount ₹ 44.59 lakh was not collected from the leaseholders towards NMET Fund due to lack of monitoring.

³⁰⁷ Bobbili, Jiyyamavalasa, Karamchedu, Nathavaram and Vinjamur.

³⁰⁸ GSR 632(E), dated 14 August 2015.

³⁰⁹ Memo No.21543/NMET/2015, dated 01 October 2015.

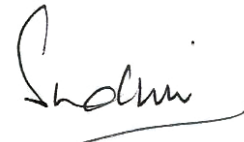
³¹⁰ From the permit registers and mining lease files.

³¹¹ Assistant Directors of Mines and Geology (ADMG), Anakapalle, Eluru, Nellore, Rajamahendravaram and Srikakulam.

³¹² February and March 2016.

Principal Secretary and Director of Mines & Geology replied (January 2018) that the amount towards NMET fund was deductible from 12 January 2015 to 10 February 2015 only as Government of India declared 31 major minerals as minor minerals vide Gazette Notification³¹³. The reply was not tenable as the Department collected royalty on these major minerals (from February 2015 to November 2015) as the State Government amended Rules in November 2015 based on Government of India notification. Accordingly, two *per cent* on realised royalty was required to be collected towards NMET fund for this period.


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³¹³ GS No.423(E) dated 10 February 2015.