

OVERVIEW

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This Report contains 52 paragraphs including one Information Technology Audit on “**e-Registration (SAMPADA)**” and two audits on “**Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002**” and “**Levy and Collection of Electricity Duty, Fees and Cess**” involving ₹ 970.62 crore. The Departments/Government have accepted audit observations involving ₹ 183.88 crore out of which ₹ 2.50 crore was recovered. Some of the major findings are mentioned below:

I General

The total receipts of the State Government for the year amounted to ₹ 1,05,510.60 crore against ₹ 88,640.78 crore for the previous year. Out of this, 46 *per cent* was raised by the State through tax revenue (₹ 40,240.43 crore) and non-tax revenue (₹ 8,568.80 crore). The balance 54 *per cent* was received from Government of India as State’s share of divisible union taxes (₹ 38,371.06 crore) and grants-in-aid (₹ 18,330.31 crore).

(Paragraph 1.1.1)

We test checked records of 396 units of Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamp Duty and Registration Fees, Mining Receipts and Electricity Duty during the year 2015-16 and observed underassessment/short levy/loss of revenue amounting to ₹ 2,229.45 crore in 6,45,050 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 868.37 crore involved in 64,031 cases which were pointed out in audit during 2015-16 and collected ₹ 6.55 crore in 7,403 cases.

(Paragraph 1.9)

II Stamps and Registration Fees

Information Technology Audit on “**e-Registration (SAMPADA)**” revealed the following:

The Department could not develop its own IT support team, although computerisation of the Department was envisaged as early as year 2000.

(Paragraph 2.4.11.3)

Despite abnormal delays in development of software, Department did not impose penalty on the software vendor amounting to ₹ 82.01 lakh.

(Paragraph 2.4.12.1)

The Department had paid ₹ 1.53 crore to the software vendor for changes made in the software by the vendor though they were in the scope of work.

(Paragraph 2.4.12.3)

The legacy data was not digitized as envisaged in the absence of which the possibility of multiple sale of same property could not be ruled out.

(Paragraph 2.4.12.4)

Payment of ₹ 3.73 crore was released to the hardware vendor without obtaining integration and testing report.

(Paragraph 2.4.13.1)

Despite negative account balances of ₹ 4.08 crore in 403 cases, e-Stamps were generated and commissions were also paid to service providers.

(Paragraph 2.4.16.7)

Absence of supervisory control in SAMPADA system resulted in short levy of Stamp duty and registration fees of ₹ 1.90 crore.

(Paragraph 2.4.16.8)

There was delayed response to the feedbacks and complaints of the users. Out of 3,360 complaints received in SAMPADA, 2,534 remained unresolved. During beneficiary survey of services provided under SAMPADA, conducted among 240 end users and service providers, 73 out of 142 respondents expressed dissatisfaction.

(Paragraph 2.4.32)

There was no mechanism in e-Registration system under which reconciliation of all the receipts in cyber treasury either through treasury or through e-payment by Service Providers could be done.

(Paragraph 2.4.36)

Cases referred by Sub Registrars (SRs) to the Collector of Stamps (District Registrars) for determination of market value of properties had not been finalised in time though the stipulated period of three months for disposal of referred cases had lapsed.

(Paragraph 2.5)

In 297 instruments, though the market value of the property was higher as per guidelines for the respective year, 42 SRs did not refer these instruments to the Collector of Stamps for determination of the correct value of the properties. This resulted in short levy of Stamp duty and Registration fees of ₹ 3.89 crore.

(Paragraph 2.6)

Mortgage deed of plots pledged in lieu of security for development work to be carried out by the coloniser, were not registered. The estimated development expenditure on these plots was ₹ 54.24 crore. As a result, Stamp duty and Registration fees amounting to ₹ 97.41 lakh on the cost of estimated development expenditure was not levied.

(Paragraph 2.7)

III Commercial Tax

Audit on "**Disposal of Appeal and Remand cases under Section 46 of MPVAT Act**" revealed the following:

A total of 6,229 cases involving tax of ₹ 434.17 crore were passed in favour of appellants without obtaining the views of the Assessing Authorities concerned.

(Paragraph 3.3.7.1)

In 256 cases, the Appellate Authorities accepted declarations or certificates and allowed relief of tax amounting to ₹ 19.92 crore in favour of appellants, although requests for extension of time for submission of such declarations/certificates were not found in assessment and appeal files.

(Paragraph 3.3.7.2)

The Appellate Authority incorrectly waived off penalty amounting to ₹ 1.08 crore in 30 cases of 12 dealers.

(Paragraph 3.3.7.3)

In 476 cases, the Appellate Authorities allowed relief of tax amounting to ₹ 291.86 crore in favour of appellant but Commissioner did not scrutinise these cases to justify that second appeal was not required in these cases.

(Paragraph 3.3.8)

While determining the turnover, 11 Assessing Authorities allowed deduction of tax in 12 cases of 11 dealers from the aggregate of sale price, though tax was not included in the sale price. This irregular grant of deduction resulted in short levy of tax of ₹ 8.76 crore and penalty of ₹ 22.60 crore.

(Paragraph 3.4)

Twenty Assessing Authorities applied incorrect rates of tax in 27 cases of 24 dealers on turnover of ₹ 75.29 crore. This resulted in short levy of tax amounting to ₹ 11.23 crore including penalty of ₹ 5.70 crore.

(Paragraph 3.5)

Twenty eight Assessing Authorities in 51 cases of 47 dealers, allowed input tax rebate of ₹ 6.76 crore which was not in accordance with relevant provisions and rules. This resulted in short realisation of ₹ 10.32 crore including penalty of ₹ 3.56 crore.

(Paragraph 3.6.1)

Thirty four Assessing Authorities under determined the taxable turnover by ₹ 51.63 crore against the turnover recorded in the audited books of accounts/sale list/relevant records in 56 cases of 53 dealers. As a result, tax of ₹ 10.24 crore including interest ₹ 1.90 crore and penalty of ₹ 5.22 crore could not be levied.

(Paragraph 3.7)

Thirty six Assessing Authorities either not levied or levied at incorrect rates of Entry Tax on goods like iron and steel, machinery, HDPE sheet, TMT bars, coal, limestone, tiles etc. having turnover of ₹ 184.43 crore, on their entry into local area or granted incorrect exemption of Entry Tax in 59 cases to 58 dealers without submission of prescribed declaration forms. As a result, entry tax of ₹ 9.27 crore including penalty of ₹ 2.01 crore could not be realised.

(Paragraph 3.8)

Four Assessing Authorities did not impose penalty in four cases on four dealers under Section 21, although omissions leading to assessment were attributable to the dealers. This resulted in short realisation of revenue of ₹ 5.39 crore.

(Paragraph 3.9)

Assessing Authorities incorrectly determined the turnover and did not levy tax on certain items procured by a contractor for use in project. This resulted in short levy of tax amounting to ₹ 2.48 crore.

(Paragraph 3.10)

IV Electricity Duty

Audit on "Levy and Collection of Electricity Duty, Fee and cess" revealed the following:

The Energy Development Cess amounting to ₹ 325.17 crore was not utilised for the purpose for which cess was levied and Department also did not timely transfer the amount of Energy Development Cess amounting to ₹ 88.22 crore into Electricity Development Fund.

(Paragraph 4.2.9)

Department did not levy interest of ₹ 272.11 crore on outstanding balances with DISCOMs.

(Paragraph 4.2.10)

The Orient Paper Mills Limited *suo moto* claimed exemption from payment of electricity duty without obtaining a certificate of eligibility for exemption. As a result, electricity duty amounting to ₹ 51.79 crore could not be realised.

(Paragraph 4.2.11)

Department incurred loss of revenue amounting to ₹ 16 crore as separate meters were not installed for dutiable and not dutiable energy consumption of electricity.

(Paragraph 4.2.12)

Department could not achieve targets of annual inspection of electrical installations, jeopardising the safety of medium and high tension electric installations. As a result of this, inspection fees amounting to ₹ 11.35 crore remained not accrued.

(Paragraph 4.2.13)

Due to application of incorrect rate of duty, electricity duty not realised from high tension consumers by ₹ 1.43 crore.

(Paragraph 4.2.14)

V Mining Receipts

The lessee did not commence the commercial production at mines allotted to it by the due date despite availing the benefits of subsidised stamp duty and registration fees under the Industrial Policy of the State Government. The Department did not recover the amount of rebate of Stamp duty and registration fees amounting to ₹ 9.46 crore on agreement of allotment of lease and interest of ₹ 8.08 crore thereon, despite conditions of agreement not fulfilled.

(Paragraph 5.4)

In six district mining offices, agreements of 22 mining/quarry leases were executed on unduly stamped lease agreement. As a result, Stamp duty and Registration fees amounting to ₹ 4.19 crore was not realised/short realised.

(Paragraph 5.5.1)

In one district mining office, instead of levying the stamp duty on full amount of contract money in accordance with the Departmental instructions,

agreements of three trade quarry leases were executed on stamp papers of lesser amount. As a result, Stamp Duty and Registration Fees of ₹ 7.66 crore was not realised/short realised.

(Paragraph 5.5.2)

In 10 district mining offices, 99 mining lessees had paid ₹ 11.91 crore of rural infrastructure and road development tax against the payable amount of ₹ 17.89 crore for the period 2014-15. This resulted in short realisation of revenue amounting to ₹ 5.98 crore.

(Paragraph 5.6)

In six district mining offices, the Department did not levy interest of ₹ 5.67 crore on belated payments of royalty by lessees in respect of 18 lessees of mining leases as per the provisions of the Rules.

(Paragraph 5.7)

VI State Excise

In three excise offices, excise verification certificates (EVC) in respect of 175 permits for transportation of foreign liquor/beer were not furnished to the authorities who issued the transport/export permit duly obtained from the Officer-in-charge of the destination units. EVCs were not furnished against export/transport of 7,93,797.56 proof litre foreign liquor and 3,87,165 bulk litre beer involving excise duty of ₹ 62.27 lakh in beer and ₹ 16.99 crore in liquor.

(Paragraph 6.4)

In two excise offices, 11 poppy straw licensees carried out trade of narcotic substance through 12 licenses without payment of license fees. Their licenses were not revoked by the District Collector in contravention of the provisions of the Gazette Notification. This resulted in short recovery of license fees of ₹ 12.15 crore.

(Paragraph 6.5)

In 107 warehouses of 51 districts of Madhya Pradesh, arrangements for Very Small Aperture Terminal (VSAT) connectivity were not made, contravening the provisions of tender document. The Department did not levy penalty amounting to ₹ 6.05 crore on the warehouses.

(Paragraph 6.6)

In 22 excise offices, the licensees of country liquor warehouses and bottling units did not maintain minimum stock of bottled country liquor at 48 country liquor warehouses and six country liquor bottling units. However, penalty amounting to ₹ 2.76 crore for breach and continued contravention of rules was not imposed against the licensees.

(Paragraph 6.7)

In six excise offices, during export/transport of foreign liquor, beer and ENA, total wastages in excess of admissible limit was 1,22,329.50 proof litre in the case of the foreign liquor, 9,035.58 bulk litre in the case of beer and 15940.79 proof litre in the case of Extra Neutral Alcohol. On this, excess wastage, the Department did not impose penalty of ₹ 2.51 crore on six licensees.

(Paragraph 6.8)

In 15 excise offices, the Department did not levy Value Added Tax (VAT) on closing stock of country liquor with retailers as on 31 March 2013 sold on 1 April 2013 or thereafter, as per the provisions of VAT Act. As a result, VAT amounting to ₹ 2.26 crore on closing stock of ₹ 45.25 crore could not be recovered.

(Paragraph 6.9)

The offer of the highest bidder for ₹ 8,68,77,777 was not accepted as the cheque of earnest money submitted by him along with the financial bid was 75 *paise* less than the stipulated amount of ₹ 72,39,814.75. As a result, shops were awarded to second highest bidder whose offer was ₹ 67.65 lakh less than the offer of highest bidder.

(Paragraph 6.10)

VII Taxes on Vehicles

In 27 offices, vehicle tax in respect 4,031 vehicles plying as public service vehicle kept as reserve, goods vehicles, maxicabs, stage carriage vehicles, public service vehicles plying on All India Tourist Permit and earthmovers/harvesters, amounting to ₹ 13.09 crore and penalty of ₹ 9.14 crore thereon was neither paid by the vehicle owners nor any demand notice was found issued by the Taxation Authorities.

(Paragraph 7.4)

In 11 offices, vehicle tax in respect of 155 private service vehicles was incorrectly levied at the rate applicable to Educational Institution Buses. Failure to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 1.20 crore.

(Paragraph 7.5)

VIII Land Revenue

In 473 cases related to diversion of land situated in *gram panchayat* areas, nine Collector offices and 12 *Tahsil* offices did not levy and demand *panchayat upkar* on diversion premium and rent depriving the Government of revenue of ₹ 2.48 crore.

(Paragraph 8.4)

The Department did not recover process expenses amounting to ₹ 1.14 crore in four Collector offices and 17 *tahsil* offices on the amount of ₹ 40.22 crore recovered against Revenue Recovery Certificates during the period 2007-08 to 2015-16.

(Paragraph 8.5)