

OVERVIEW

This Report contains 24 paragraphs including one Performance Audit on “**Exemptions and subsidies to industries under Industrial Policies**” and audit on “**Implementation of National Afforestation Programme in Chhattisgarh**” involving ₹ 111.10 crore relating to underassessment, short levy of revenue and tax not levied, irregular/ avoidable expenditure etc. Some of the major findings are mentioned below:

I. General

Total receipts of the Government of Chhattisgarh for the year 2015-16 were ₹ 46,067.71 crore. The revenue raised by the State Government amounted to ₹ 22,289.65 crore comprising tax revenue of ₹ 17,074.86 crore and non-tax revenue of ₹ 5,214.79 crore. The receipts from Government of India were ₹ 23,778.06 crore (States’ share of divisible Union taxes: ₹ 15,716.47 crore and Grants-in-aid: ₹ 8,061.59 crore). Thus, the State Government’s own contribution was 48 *per cent* of the total revenue.

(Paragraph 1.1)

Test check of the records of 86 units of Commercial Taxes, State Excise, Stamps and Registration Fees, Land Revenue, Mining Receipts, Taxes on Vehicles and Forestry and Wildlife and Electricity Duty conducted during the year 2015-16 showed under-assessment/short levy/loss of revenue aggregating to ₹ 329.30 crore in 55,971 cases. During the course of the year, the Departments concerned accepted underassessment and other deficiencies of ₹ 72.80 crore in 27,557 cases and recovered ₹ 72.22 lakh in 15 cases which were pointed out in audit during 2015-16.

(Paragraph 1.9)

II. Exemptions and subsidies to industries under Industrial Policies

A Performance Audit on “**Exemptions and subsidies to industries under Industrial Policies**” indicated the following deficiencies:

Industrial Policies (IP) promulgated by the Government from time to time allowed full exemption to industries from payment of Electricity Duty. Energy Department, in its notification made under the Electricity Act, 2003 allowed exemption on Electricity Duty on self consumption. The Industries Department did not make suitable provisions in the IP in accordance with the notification issued by Energy Department and Electricity Act, 2003. As a result the Government was deprived of revenue of ₹ 6.03 crore.

(Paragraph 2.10)

Though the time limit for commencement of commercial production is prescribed in the IP, option by the IP for industries to choose between the policies coupled with lack of provision for treating the exemption already availed in IP allowed exemption to industries in more than one policy.

(Paragraph 2.11)

The Industries Department issues Stamp Duty Exemption Certificate, on the basis of which the Commercial Tax (Registration) Department provides exemption from payment of Stamp Duty. The benefited industry is to commence commercial production within two to five years from the date of issue of certificate for exemption from payment of Stamp Duty. It was observed that the Industries Department while issuing subsequent exemption certificates to the industries did not restrict the date of commencement of commercial production as per the initial date, due to which the time limit got extended beyond the time limit prescribed in the IP.

(Paragraph 2.12)

The Industries Department allowed Stamp Duty exemption of ₹ 1.68 crore to an industry under diversification which neither fulfilled the condition of commencing commercial production in its existing industry nor did it commence commercial production of its new product within the IP period under which it was benefited.

(Paragraph 2.18)

An industry which was eligible for exemption, sold one of its units to an industry which was not eligible for any exemption. The sold out unit which was now a part of ineligible industry was allowed irregular exemption of Electricity Duty of ₹ 1.08 crore.

(Paragraph 2.19)

Industries included in the negative list of the IP were not eligible for any benefit under IP. However, the Industries Department allowed exemption and subsidies of ₹ 76.29 lakh to the industries included in negative list.

(Paragraph 2.20)

As per the conditions mentioned in the IP, any industry after availing the benefits of IP is to function continuously for at least five years. Absence of monitoring mechanism in the Industries Department not only resulted in failure by three industries to function continuously but also five industries were not set up. These industries availed exemptions/subsidies of ₹ 7.38 crore which was recoverable.

(Paragraph 2.25 and 2.27)

III. Forestry and Wild life (Expenditure)

Audit on “**Implementation of National Afforestation Programme in Chhattisgarh**” indicated the following deficiencies:

Delay in submission of Annual Plan of Operations (APOs) by the State Forest Development Agency (SFDA) and absence of timeframe for sanctioning the APO by National Afforestation and Eco-Development Board (NAEB) led to delay of 37 to 137 days in release of funds by NAEB to SFDA. Further, SFDA and subsequently Forest Development Agencies (FDAs) did not observe the guidelines for timely transmission of the funds as a result of which the funds reached to Joint Forest Management Committees (JFMCs) in next financial year.

(Paragraph 3.3.7.1 and 3.3.7.2)

In two FDAs, plantations in 445 hectare forest area were carried out incurring expenditure of ₹ 1.50 crore in the ineligible areas/areas where previous treatments were already in progress from other heads.

(Paragraph 3.3.9)

The Member Secretary, SFDA ordered the diversion of funds provided for execution of forestry activities as approved in the Annual Plan of Operation (APO), for installation of Improved Biomass Chulhas (IBCs) on the basis of false statement that no new area of plantation was sanctioned and without having approval from NAEB or SFDA. As a result, ₹ 83.98 lakh was misutilised on the basis of false statement.

(Paragraph 3.3.8.1)

An amount of ₹ 66.69 lakh was irregularly paid to a Non-Government Organisation (NGO) for the work which was not included in the Annual Plan of Operations. Further, the payment was made to the NGO without evaluating the work for which payment was made.

(Paragraph 3.3.8.2)

Despite prohibiting plantation or rehabilitation work by Principal Chief Conservator of Forests (PCCF) in the areas where treatment was in progress, two divisions incurred expenditure of ₹ 1.08 crore in 2014-15 and 2015-16 on the plantations carried out in 175 hectare forest area where treatment was already in progress from 2010-11 to 2014-15.

Other Audit Observations:

(Paragraph 3.4)

Assisted Natural Regeneration (ANR) work was undertaken in Kawardha Forest Division from State CAMPA fund in nine coupes which had already been treated from Departmental budget resulting to irregular expenditure amounting to ₹ 56.27 lakh.

(Paragraph 3.5)

IV. Commercial Tax

Eight Assessing Officers (AOs) applied incorrect rate of Entry Tax (ET) in 10 cases of eight dealers for the assessment years from 2007-08 to 2010-11 which resulted in short realisation of ET amounting to ₹ 4.22 crore. Besides penalty of ₹ 2.15 lakh was also leviable.

(Paragraph 4.9)

In 12 offices, AOs allowed the concessional rate of tax without ensuring submission of declaration forms “C”, “E-1/C” and “F” by 28 dealers for the assessment years from 2008-09 to 2013-14 resulting in short levy of CST amounting to ₹ 5.39 crore. Besides, penalty of ₹ 3.94 lakh was also leviable.

(Paragraph 4.7 and 4.8)

The transactions of the dealers were not cross verified by the AOs while making assessment. This led to concealment of sale by three dealers during the assessment for the year from 2008-09 to 2010-11 resulting in evasion of tax of ₹ 1.11 crore. Besides penalty of ₹ 1.99 crore was also leviable.

(Paragraph 4.6)

During the assessment for the year 2010-11 to 2013-14, two AOs allowed Input Tax Rebate (ITR) to eight dealers whom had increased the purchased value in annual returns. In another case a dealer who had no turnover was allowed ITR on the purchases of goods of capital nature and civil construction goods. Thus the failure of AOs to cross-check transactions with the Chartered Accountant's report and to verify the returns resulted in incorrect/excess allowance of ITR of ₹ 13.47 lakh. Besides penalty of ₹ 1.74 lakh was also leviable.

(Paragraph 4.4)

V. Stamps and Registration Fees

Four Sub Registrars (SRs), while registering the properties, valued 29 properties situated on the main roads as situated off the road. This resulted in undervaluation of properties and subsequent short realisation of Stamp Duty and Registration Fees (SD & RF) amounting to ₹ 74.91 lakh.

(Paragraph 5.5)

SR, Raipur did not adhere the provisions of market value guidelines in determining the market value of agricultural properties situated in Municipal Corporation/Municipal Council/*Nagar Panchayat* in 15 cases which resulted in short realisation of SD & RF of ₹ 53.81 lakh.

(Paragraph 5.6)

Market value guidelines were not observed by the three SRs while determining the value of properties in 11 cases. This resulted in undervaluation of properties and subsequent short realisation of SD & RF amounting to ₹ 50.00 lakh.

(Paragraph 5.7)

VI. Other Tax Receipts

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.

(Paragraph 6.6)

The distiller while exporting India 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.

(Paragraph 6.5)

VII. Non-Tax Receipts

Royalty on coal middlings, which were to be used for production of sponge iron and captive power, was determined by Deputy Director Mining Administration (DDMA), Raigarh as per the rate of "power utilities" instead of "for sectors other than power utilities" resulted in short realisation of royalty amounting to ₹ 14.14 crore.

(Paragraph 7.4)

DDMA, Raigarh did not calculate the royalty as per new grading of coal which resulted in short realisation of royalty of ₹ 27.29 lakh and interest of ₹ 25.31 lakh.

(Paragraph 7.5)

In two Forest Divisions, 10,575.5 fuel stacks and 11,702 poles were sold in auctions at the rates below their *nistar* rates. This resulted in loss of revenue amounting to ₹ 33.74 lakh.

(Paragraph 7.11)